UNION- AND EMPLOYER-ASSISTED HOUSING: PROSPECTS FOR SUPPLYING AFFORDABLE HOUSING ASSISTANCE TO BOSTON'S HOTEL AND RESTAURANT WORKERS' UNION

by

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B.A Legal Studies, University of California, Berkeley

(1989)

Submitted to the Department of
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ABSTRACT

In April of 1990, Boston's Hotel and Restaurant Workers' Union, Local 26, in a visionary attempt to mitigate the housing affordability crisis created by, among other things, high housing prices and the weakening purchasing power of its membership's already low incomes, instituted an unprecedented employer-assisted Housing Trust Fund (HTF). Now that the HTF is operative, the union and its organizationally separate housing arm, the United Neighborhood Assistance Corporation (UNAC), want to understand how this resource can be combined with other federal, state and local housing programs to expand affordable housing opportunities for its membership.

To this end, the first part of this paper discusses the present U.S. housing crisis. This is tempered with a description of the union's progressive past, with attention focused on the environement that created the impetus behind the employer-contributed HTF.

The paper then goes on to describe workers housing and financial conditions and UNAC's attempt to mitigate these conditions through their HTF-financed housing program. This discussion focuses on the potential leveraging opportunities that exist under the 1990 Affordable Housing Act and various state and local supply-side housing programs. The paper concludes by providing a "shopping list" of challenges and issues the will union face or must resolve before it can provide any affordable housing opportunities.

Thesis Supervisor: Dr. Phillip Clay
Title: Professor of Urban Studies and Planning

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E.M.A.

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INTRODUCTION

American employers have been lamenting over the dearth of affordable housing for low-wage employees since the days of the Pullman company towns. As employers have become more cognizant of the housing affordability issue, new and innovative approaches at attacking this problem have been produced. Today, many corporations are operating or financing housing programs for some of their employees.[1] These programs include subsidies for apartments, homes, mortgages and buildings lots. Substantial sums are also spent for relocation assistance for transferred and newly hired workers, as a company-wide benefit, or as a benefit for senior management. Predictably, this issue has received much attention and action on behalf of management-level employees, but little substantive movement has been made toward increasing lower-level, service sector employees capacity to afford housing, either for ownership or rental. In Boston however, a more definitive remedy to this problem has been sought.

In April of 1990, Boston's Hotel and Restaurant Workers' Union, Local 26, in a visionary attempt to mitigate the housing affordability crisis created by, among other things,

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[1]David Schwartz et al. A New Housing Policy for America. (Philadelphia, PA: Temple University Press, 1988) p. 104.

high housing prices and the weakening purchasing power of its membership's already low incomes, instituted an unprecedented employer-contributed Housing Trust Fund (HTF). Under this fund, 13 hotels and other Boston establishments covered by the Local 26 contract contribute 5 cents for each hour worked to a housing trust fund for union members.

Now that the Trust is operative, and totals close to $1.5 million, the union and its organizationally separate housing arm, the Union Neighborhood Assistance Corporation (UNAC), want to understand how this resource can be used to meet its memberships' diverse and pressing housing needs.

Engaging in a study that sheds light on this concern requires an analysis of (1) union members' housing and financial conditions; (2) the preliminary HTF-financed UNAC Housing Program , which is to address the housing affordability issue and (3) the financial leveraging opportunities that exist under state, local and federal housing subsidy programs. Of primary interest to the union is the following question: Given the members low-incomes, how can UNAC combine its HTF-financed UNAC Housing Program with other organizations' resources and federal, state and local government housing programs to meet workers' housing needs? In answering this question, this thesis will describe and evaluate UNAC's Housing Program with the hope of guiding its future development so that it may fully satisfy members' unmet housing needs. Moreover, such a study will illustrate the

benefits and problems of instituting a housing trust fund and in doing so, provide assistance and encouragement to other unions who want to develop housing programs to ameliorate the housing affordability problem.

The background section to this thesis will provide an overview of the current U.S. housing crisis, while providing insight into the context in which workers look for housing. Specifically, this section will look to the "causes and effects" of the present housing crisis noting that the problems are not one dimensional -- they are multi-faceted and interconnected -- but rather, vary from rising housing cost and a decreasing rental stock to changing demographics and the federal government retreat from providing low- and moderate-income housing assistance.

Chapter 1 will then discuss the history of the International Union and Local 26 through the lens of the progressive policies it has instituted from organizing the unskilled and having labor unions honor picket lines to the more recent implementation of the legal services and housing trust funds. A preponderance of this chapter will describe the environment -- political, economic and social -- that created the impetus for the employer-contributed HTF. Such a description is useful in that it illustrates how a union, with Local 26's innovative and active background could even conceive of the uncharacteristic and "non-labor issue" task of requesting for a collective bargaining right to employer-

contributed housing assistance.

Chapter 2 goes on to describe the current economic and housing characteristics of workers and Local 26's attempt to mitigate these conditions through the HTF-supported UNAC Housing Program, paying close attention to the separate distributional issues that accompany any allocation of this scarce HTF resource. This chapter ultimately notes that the financial support provided through the HTF cannot resolve all the workers housing needs, but that efforts to mitigate these problems can be augmented if HTF monies are leveraged with the multitude of often confusing and disjointed housing programs offered through federal, state and local housing programs.

Chapters 3 and 4 depart from this point and examine how UNAC can combine its resources with the bevy of housing programs available under the 1990 National Affordable Housing Act and various state and local housing programs to increase affordable housing opportunities for members. Providing a description of such opportunities requires a thorough analysis of both the HOME and HOPE programs contained in the 1990 Act and recent city and state supply-side housing efforts that make homeownership more affordable for moderate- and low-income people.

The thesis concludes by identifying some of the key obstacles and strategic considerations that the union must take into account in structuring an effective housing program

while looking at the benefits of involving unions in housing development. This description ultimately highlights the legal, political, and economic challenges that Local 26 and UNAC, or any other union, are likely to confront in trying to break into the housing and community development field.

BACKGROUND
The U.S. Affordable Housing Crisis

The United States is currently in the midst of the worst housing crisis since the post World War II era, with a nation-wide shortage of homes and apartments affordable to people with low- and moderate-incomes, and an increasing homeless population.[1] The underlying problem is the "affordability gap". That is, the difference between what a person can afford to pay for housing expenses and what it cost to rent or purchase an apartment or home. This crisis is not a new phenomena, especially for the poor, but what has changed, and alarmed many people, is that an increasing portion of working middle class households are finding this a problem as well.[2]

The overall impact of this affordability gap, which is affected by all segments of the housing environment, has been a sharp decline in homeownership rates with people being pushed out of the rental market closer and closer to homelessness. What is at once interesting, yet makes this problematic, is that the crisis is not one dimensional. Rather, the roots of this problem are multi-faceted and interconnected and vary from rising housing cost and a

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[1]Peter Drier and John Atlas. "Grass Roots Strategies for the Housing Crisis: A National Housing Agenda." Social Policy. (Winter 1989) p. 26.

[2]David C. Schwartz et al. A New Housing Policy for America: Recapturing the American Dream. (Philadelphia, PA: Temple University Press, 1988) p. 4.

decreasing rental stock to changing demographics and the federal government's retreat from providing low- and moderate-income housing assistance.

Homeownership

The dream of homeownership is but a passing thought for most low-income people and it is an idea that is fast fading for a significant portion of the working and middle class.[3] After World War II, federal programs such as the Veterans and Federal Housing Administrations' insurance spurred homeownership rates for thirty years, reaching a peak homeownership of 65.6 percent in 1980. Since then, the rate has declined, particularly amongst those in the prime years of new household formation (below age 35). For example, among 30 to 34 year olds, the homeownership rate has dropped from 61.1 percent in 1980 to 53.6 percent in 1989. The magnitude of this problem is more clearly illustrated for households age 25-34. In this age group, only 12 percent had both the income and the accumulated wealth necessary to buy the representative starter home in 1989.[4]

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[3]Peter Drier and John Atlas. "Grass Roots Strategies for the Housing Crisis: A National Housing Agenda." Social Policy. (Winter 1989) p. 25.

[4]William Apgar, The State of the Nations Housing, 1990 (Cambridge, MA: Joint Center for Housing Studies, 1990), p. 16.

This decline in the homeownership rate is due, in large part, to high housing cost and increasing interest rates.[5] Even though home prices have declined in many parts of the nation, they are "unlikely to ease" and have remained sufficiently high so that low-income homeownership opportunities are still limited.[6] Even without these high home prices, the after-tax cash cost of owning (which is defined as the cost of mortgage payment, insurance payment, real estate taxes, maintenance and utilities less the tax savings from owning) has risen drastically to $8,559 which is significantly above the inflation adjusted levels for most of the 1970s.[7] Also, the drop in nominal interest rates that occurred after 1981 shot up drastically in 1990, hovering around 10 and 11 percent.[8] This increase places a further financial burden on the home owner by increasing the mortgage payment of principal and interest.

The reduction in homeownership is further exacerbated by the mortgage underwriting criteria promulgated by those lending institutions who participate in the secondary mortgage market, which buys mortgage loans from financial institutions that originate mortgages, via the Federal Home Loan Mortgage

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[5]Ibid. p. 7.

[6]Ibid. p. 1.

[7]Ibid. p. 7.

[8]Executive Office of Communities and Development. Massachusetts Housing Report. (Boston: Executive Office of Communities and Development October 1990) p. 10.

Corporation and the Federal National Mortgage Association. These national institutions set underwriting guidelines, including the limits on the size of the mortgage payment in relation to income and the downpayment percentage. For example, between 1984-1987 the percentage of lenders willing to make home mortgages for more than 90 percent of value (i.e. 10% downpayment) fell sharply. This came, in part, as a result of changed underwriting criteria in the secondary mortgage market which created increased income requirements and rising mortgage rates. Even now, prevailing lending practices of not allowing households to pay more than 28 percent of their income to housing cost and requiring a 20 percent downpayment, has cut homeownership opportunities for low-, moderate- and middle-income groups.

Both the income and downpayment requirements influence one another. Most young households, which are primarily the first-time homebuyers, often do not have the cash required for downpayment and closing cost and/or income required for mortgage. Yet, resolving this problem does not simply entail lowering the downpayment. The dependent relationship that exist between these two elements requires that as the downpayment is lowered, the income required to qualify for the mortgage must rise due to the increase in the loan amount. Thus, with these stringent underwriting criteria and the dependent relationship between income and downpayment, it is

no wonder that homeownership rates have been steadily declining in recent years.[9]

Rental Market

The homeownership problem does not exist in isolation, rather it impacts the rental market. Because so many potential homeowners have become disgruntled renters, demand for apartments have increased. Some of this affect can be traced to increasing rents throughout the last 10 years. In 1987, the median gross rent stood at $411; a 16 percent increase over 1980.[10] In the mid-1970s, the typical renter paid between 23 and 24 percent of his or her total annual income to rent. Today that figure stands at well over 30 percent. Although this problem is disheartening, it is particularly so for the poor. Close to 11 million low income families pay over 35 percent of their income for rent, while another 5 million pay over 50 percent of their incomes.[11]

A closer look at the environment confronting the poor illustrates the true magnitude and complexity of this crisis. As young, middle class persons, who formerly would have

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[9]William Apgar, The State of the Nation's Housing, 1990. (Cambridge, MA: Joint Center for Housing Studies, 1990) p. 14.

[10]Ibid. p. 14.

[11]Peter Drier and John Atlas. "Grass Roots Strategies for the Housing Crisis: A National Housing Agenda." Social Policy. (Winter 1988) p. 29.

purchased homes, but who have been squeezed out of the housing market, look for places to rent, a greater demand is placed on existing rental units which puts upward pressure on rental cost. The affects of this can be seen in the decreasing affordability of the nation's rental housing stock in relation to income that has occurred over the last decade and a half. In the period from 1975-1984, real gross rents rose by 18 percent, while the median income of renters fell by approximately 12 percent.[12] What is partially occurring is that real income is declining among the poor, while real rents are climbing in lower-rent units. The effect of this unchecked problem is borne out intuitively when one considers that low-income units have been lost to upgrading, abandonment, foreclosure and condominium conversion for the last 30 years. This chain of events has created a dearth of affordable housing and thereby a large increase in rental cost.

The U.S. Department of Housing and Urban Development (HUD) has taken direct measures to mitigate the decline in low-income housing units, principally by making prepayment of federally-assisted mortgages on low-income housing developments extremely difficult under Title VI of the 1990 National Affordable Housing Act. Title VI, which replaces the Emergency Low-Income Housing Preservation Act, offers

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[12]James Brown and Charles Yinger. Homeownership (Cambridge, MA: Joint Center for Housing Studies, 1988) p. 7-10.

incentives to owners of low-income housing projects to keep their properties affordable, while a convoluted and beleaguering process is available to those who want to opt out through prepayment. Although these efforts are laudable, the Bush administration's level of commitment to this program is still unclear. Moreover, even with this lip service to preserve federally-assisted units, there still exist a lack of affordable units, and with a bent toward a supply-side housing policy under the 1990 Act new construction of these units does not appear imminent.

Demographic Changes

Demographic changes in the American population have also contributed to the housing crisis. Although household growth is expected to slowdown, construction is expected to increase in the 1990s. The unfortunate product of this growth is that it will primarily occur in the trade-up market, which is comprised of affluent homeowners, and not in the stock of housing that is available to low-income homeowners and renters. To complicate this problem, we can expect a sharp upturn in the number of persons living alone and a large increase in the number of single-parent, female-headed household that have been created by recent social trends toward delayed marriage and child-bearing, as well as high rates of divorce and teenage pregnancy -- population sectors

which tend to have lower incomes and smaller family sizes.[13] These forces coupled with the expected large increase in the population of young families in prime first-time home buying years (30-45) will place strains on the housing market where they can least be absorbed -- units within the economic means affordable to low- and moderate-income people.

Federal Government Retreat

While these trends have been developing, the federal government has become entrenched in its "fiscal federalism", leading to drastic cuts in support of housing in a number of areas. Assistance to low- and moderate-income tenants and the number of these tenants eligible to receive housing aid has been cut. Support for the construction of new housing by the private sector has also been cutback, as have government expenditures for the production and rehabilitation of public housing funds for low- and moderate-income homeownership opportunities. In addition, the government reduced tax incentives to the private sector for the production of rental housing through the 1986 Tax Reform Act, and decreased federal loans to low-income and moderate-income homeowners for the rehabilitation of substandard units.

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[13]William Apgar, The State of the Nation's Housing, 1990 (Cambridge, MA: Joint Center for Housing Studies, 1990) p. 2-7.

At the same time that the federal government has reduced its commitment to affordable housing construction, it has deregulated the mortgage industry, leading to the savings and loan scandal, and increased the indirect housing subsidies to the wealthy. The savings and loan crisis has limited access to capital and without access to capital, it is impossible to provide shelter to the new households that will form in the 1990s, regardless of income. What is most ironic about the governments policy is that the one form of assistance it failed to cut was the large subsidy that goes to the middle class through tax deductions to homeowners for property tax and mortgage interest from their income taxes. In 1987, the subsidy amounted to $35.1 billion, according to the Congressional Budget Office. This is four times larger than HUD's budget for low income housing.[14]

The shortage of housing affordable to people with low-incomes has reached crisis proportions. Essentially, more poor people, who have less money, are now seeking fewer and fewer available apartments, of declining quality, at sharply increasing rents.[15] As this has occurred, homeownership rates have declined as well, leaving many people, regardless of

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[14]Peter Drier and John Atlas "Grassroots Strategies for the Housing Crisis: A National Agenda," Social Policy (Winter 1989) p. 29.

[15]Nancy Andrews, The Challenge of Affordable Housing: A Perspective for the 1980s. (New York: Ford Foundation, 1986) pgs. 3-13.

their income, pressed to find housing that suits their needs and pocketbooks.

Boston Housing Environment

The housing environment in Boston is indicative of the environment faced by the rest of the nation. Since World War II, residential and real estate prices have almost always appreciated until very recently where we are now seeing glimpses of a significant downward adjustment in housing prices throughout the Commonwealth. According to the Real Estate Department of Coopers & Lybrand, the recent reduction in home prices has been caused by both a speculative oversupply of housing stock for the middle-income market, and a generally weakened economy. Many developers in the region are unable to make debt service payments on their buildings and as such, are turning them over to banks who are selling or auctioning them at reduced prices.[16] The banks in the region have also been hit hard due to portfolios filled with non-performing real estate loans. In return, they have tightened their underwriting standards decreasing the availability of loans.

While declining real estate markets might seem a boon for low-income families, the recession coupled with restrictive

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[16]John H. Cushman, "The Fed Strategy to Ease Credit," The New York Times, February 27, 1991. p. D1.

lending requirements and the large production decrease in multi-family housing cuts against any large improvements. The simple fact is that most low-income people, who are renters, cannot afford to purchase a home. Even with higher payment-to-income ratios "the cost associated with purchasing and owning a home are too high for the level of income of the majority of the Commonwealth's renter households" who earn a median income between $22,000 and $24,000, and in Boston form $18,000 to $20,000.[17]

Some public and private homeownership programs provide downpayment assistance as well as relaxed underwriting criteria to help first-time homebuyers. But, homeownership is out of reach for most renters/low-income people without deep subsidies. Moreover, "these programs target households with incomes between $22,000 and $36,000", yet, "the majority of renter families have incomes below these thresholds."[18] Simply put, prices have not fallen enough for low-income people to purchase homes.

The impacts of the housing situation does not only effect housing opportunities for low-income people, it extends to decisions made by the business sector. Throughout Boston, employers are finding it increasingly difficult to attract and retain a low-income/service sector workforce in localities

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[17]Executive Office of Communities and Development. Massachusetts Housing Report. (Boston, MA: Executive Office of Communities and Development, October 1990). p. 4.

[18]Ibid. p. 6.

where housing costs and incomes are out of line. Some companies have attempted to reverse this trend, but for the most part, efforts have only assisted management, while doing little to increase lower level employees' capacity to afford housing, either for ownership or rental.

If a solution to this trend is not actively sought, substantial and harmful cost will be imposed upon employers. In Boston, where housing cost are among the highest in the nation, service positions have become vacant. For example, 90 percent of hospitals recruiting nurses and 80 percent of firms hiring clerical workers reported labor shortages according to a 1987 study published by the Boston Redevelopment Authority. Other likely outgrowths of housing affordability include loss of key personnel to lower housing cost areas, demand for higher wages, diminished productivity and unacceptable recruitment and retention of employees.

Housing affordability issues are also particularly germane for particular employer types. For example, many local governments rely on low-wage employees to provide essential services; these same workers, however, are typically the victims of the affordable housing shortage, particularly in jurisdictions that have residency requirements. Without cities assuming some of the burden for addressing housing needs, employees experience difficulty in fulfilling this

requirement.[19] More interesting perhaps is that young upwardly mobile job seekers will increasingly accept employment in an affordable housing market where they can attain their envisioned lifestyle with such a condition hurting companies ability to remain competitive in the marketplace.

Employers are not the only ones who stand to lose in high cost housing markets. Employees who are essentially precluded from entering the housing market must either relocate to other areas or settle for sub-optimal housing arrangements. This scenario breeds a duality in which employees commute long distances to locate affordable housing or live in nearby housing that is overcrowded or otherwise substandard. Inevitably, a decline in worker productivity and labor shortages at various skill levels decreases the economic vitality of the region. Business becomes less competitive and thus relocates. This in turn erodes the region's tax base and further drains economic growth and development. Ultimately, housing prices will return to affordable levels, but not before the region has paid a high price.

As employers have become more cognizant of the housing affordability issue, new and innovative approaches at attacking this problem have been produced. However, few have attempted to confront the service sector/low-income employee's

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[19]Myron P. Curzan and Amanda Carney. "Lack of Affordable Housing Spurs Employer-Supported Housing Programs," Urban Land. (July 1989) p. 6.

housing dilemma in a meaningful way. Fortunately, a direct attempt at altering this course of action, has occurred in Boston through the efforts of the employer-assisted housing trust fund established by Boston's Hotel and Restaurant Workers Union, Local 26.

CHAPTER 1
A Historical View: The Progressive Roots Behind The Housing Trust Fund

The colorful past of Local 26 and that of the International Hotel and Restaurant Employees' Union (HERE) provides a good example of the development a union, like other organizations, goes through, before arriving at maturity. The history of this maturity and the union's responses to obstacles provides insight into the progressive and innovative trajectory that led to, especially in the last ten years, the establishment of the "non-labor issue" employer-assisted housing trust fund.

A cursory glance at the past 20 years and beyond to the Union's inception in 1888, indicates that the HERE and the locals have struggled with the same critical problems: battles between craft and industrial unionism ; contempt for organizing unskilled, often racial and ethnic minority workers; and strike breaking tactics practiced by government and management.

The Beginning: Craft vs. Industrial Unionism

Prior to 1888, the year in which both the International and Boston's Local 77 were founded, restaurant and hotel

workers were at the mercy of the ebb and flow in the economic cycle:

> "When business dwindled, the restaurant and the hotel workers were the first to feel it. In bad times laborers from the mills and factories besieged the restaurant for work at any pay."[1]

Upset with their tenuous condition, bartenders and waiters joined the radical labor movement of the Noble Order of the Knights of Labor. The Knight's mission was to combine into one monolithic organization all of the nation's laborers. However, they quickly dismantled in 1886, due to the trade unionist movement that advocated organizing the skilled workers into fairly narrow and separate craft unions.

The void left by the Knights was soon filled by an organization calling itself the American Federation of Labor (AFL). The AFL's ideology called for uniting forces on an economic front and fighting for job control, improved working conditions and job security. This platform was well received by the increasing number of unions forming nation-wide as a result of the industrial expansion following the Civil War.

The AFL ideology was particularly attractive to hotel and restaurant workers in Boston because of the unstable nature of their profession. Under the direction of John Mee, Local 77 reduced working hours from 15 to 10 hours a day and increased wages from $22 to $30 a month. News of these improved

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[1]Matthew Josephson, Union House, Union Bar. (New York: Random House, 1956) p. 5.

conditions traveled quickly as the AFL spot-lighted the powerful organizing and visible union building tactics that would characterize the local's history for decades to come. As workers witnessed these improvements the ranks of the HERE increased.

Early Conflict Between Skilled and Unskilled Workers

Despite this increase, the numbers of unionized restaurant and hotel workers was still too small to provide unions with effective leverage over management. Thus, the HERE sought to remedy this by the common contemporary union tactic of organizing the unorganized.

Although this sounded like a good way to strengthen the union, it was met with vehement opposition by many members. At this time, bartenders comprised sixty-six percent of all union membership and were reluctant to let lower level, "unskilled" workers enter their privileged union.[2] Thus, the AFL divided workers according to craft. Yet, division by craft led to division between the skilled and the unskilled. This encouraged the establishment of labor aristocrats, while neglecting the categories of workers who were poor and unskilled; these often being those belonging to minority racial groups.

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[2]Telephone interview with Don Byers of the International Union on February 4, 1991.

The Industrial Union Movement

The first marked dissension among the union ranks surfaced here with waiters acting contrary to bartenders by supporting the unionization of dishwashers, bus boys and house maids -- the unskilled. Waiters pressed for unionizing these workers because they filled their jobs when employee walk-outs were staged. Positioning themselves as such signaled the beginning of the gradual move that the lines of craft organization, which restricts membership into the union according to a specific skill, must give way to a broader form of "industrial unionism in which a given industry will strike as a whole and in which one part of organized labor will not be in the position to aid the employers of another group of strikers."[3] Taking this cue, the HERE made a slight movement, in theory, from craft unionism to industrial unionism.[4] In practice however, the leadership of the HERE dragged its feet and decided against vigorously organizing "back of the house" workers or the unskilled lest they upset the powerful bartenders.

This disorganization was exacerbated by the temperance movement as the union witnessed a drop in its membership--

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[3]Matthew Josephson, Union House, Union Bar. (New York: Random House, 1956) p. 115.

[4]Marten Estey, The Unions: Structure, Development and Management. (New York: Harcourt, Brace, Jovanovich, Inc., 1976) p. 24.

Boston's Local 77 membership decreased from 2,800 to 900 during this period. The traditional bar room was replaced with self-service cafeterias that employed many workers. This opened up new field of conquest for the union. However, as the union tried to "take up the work of organizing soft-drink dispensers and soda fountain employees (the unskilled)..." it was met head on with extreme hostility from workers.[5] Reflecting craft pride, many workers protested against organizing the self-service cafeteria workers, viewing them as the root cause of their deteriorating livelihood.

Early Management Attacks on Labor

As Prohibition gained momentum the HERE's weak foothold in organizing workers was further exacerbated by the confluence of many social and economic forces, the most serious of which was the Depression of 1929. This condition spurred management to invoke some its most infamous union busting tactics, such as wage cutting, employer controlled unions, "yellow dog" contracts, encouragement of racial and ethnic separatism and dissension among workers and "red-baiting" of local and HERE leadership.

Where management, during the World War I labor scarcity, had been disposed to sit at the table with labor, it now, with the depression, instituted wage cuts timed with a powerful

[5]Ibid. p. 145.

campaign against legitimate trade-unionism and worker desperation for employment. But, instead of appearing to deny workers all rights to organization and benefits, efforts were made to supplant the workers own unions with employer-controlled company unions.

Union Response to Management Attacks

The restaurant industry immediately felt the impact of these tactics as hotels began to lower wages and stretch their help. In response, the HERE and Local 77 planted the seeds for organizing labor across all lines to counter balance these management policies.

At this time, Local 77 had been one of the bulwarks in the International. The leadership, like other locals, had increased pay scales, established a good relationship with management providing for "union shop" (which makes union membership a condition of employment) and improved the working conditions of its workers. However, prior to the renewal of the current contract between the Local 77 and Boston's hotels, management indicated that they wanted employees to sign individual contracts or lose their jobs. These contracts, better known as "yellow dog" contracts, were a legal device though which a worker, in return for a job, agreed not to join a union with the rationale being to take advantage of those

workers desperate for employment so that they leave the union and negotiate individually with employers.

Combating this management trajectory was not only important to Local 77, it was tantamount to survival for all HERE locals. After all, if the Boston local, or any union for that matter, was eliminated through these attacks, the same methods would be replicated and used against all labor unions.

As news of the development spread to the HERE, a large offensive was established by Local 77 to halt this anti-union trend with the Local soliciting the assistance of other unions and the AFL.[6] This organizing spurred uninhibited financial support from the AFL and a pledge honoring the picket line from all unions that serviced the Boston hotels.

To further augment Local 77's fight, the HERE and other unions applied federal political pressure to management. In Congress, the Norris-Laguardia bill, which besides restricting the use of labor injunctions, incorporated a clause banning the "yellow dog" contract as discriminatory. Although no union shop conditions were granted, this struggle made the Local resilient to management attacks and brought to the fore the resourcefulness and organizing that has come to characterize the tactics that are necessary to persevere and endure in labor struggles today.

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[6]Telephone Interview with HERE historian, Don Byers, February 4, 1991.

As this attack subsided, management instigated other anti-union tactics. By 1932, the composition of the union had changed perceptibly. The HERE was no longer solely comprised of bartenders, but of cooks, waiters and other culinary workers. With this trend came a change in the racial and ethnic composition of the union membership. As racial and ethnic diversity increased suspicion among the different nationalities was promoted by management. For example, when cooks tried to organize a union or better their conditions, management would replace them with a crew of another race, pitting one ethnicity or race against the other and thereby deteriorating unity and cohesion within the union.[7]

During this Depression period, local unions were painted "red" by management in an attempt to discredit and weaken them. Where the labor movement had not done its job well, where it had ignored large masses of the unorganized, these workers, out of desperation flocked to the Communist Party and other radical unions who envisioned a utopian state of social justice. This fueled the contention of management that labor in this country was subversive and anti-American. This situation became so severe that the HERE abandoned its free association doctrine through the following amendment:

> "No member holding office in any dual association, or society that in any way whatsoever seeks to engage in similar functions as our local unions...shall be

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[7]Matthew Josephson, Union House, Union Bar. (New York: Random House, 1956) p. 41.

> eligible for six months thereafter to hold office within our local unions."[8]

By eradicating the existence of dual organizations that practiced similar functions, the HERE effectively barred communist and other radical members from seeking membership, thereby moderating attacks on the union's allegiance to the U.S.

As the Depression hit bottom, the then president of the International, Ed Flore, made a visionary request, similar to the present day union affordable housing movement, for a labor-government partnership to ease the country's economic woes. Specifically, he called for large public expenditures on public works, especially in housing, to spur economic activity.

The HERE soon benefitted from this policy timed with the elimination of the final vestiges of the temperance movement. The president of the Boston local, John Kearney, a member of the Massachusetts Legislature, lobbied with other politicians and union local presidents across the country for the early repeal of the Volstead Act enforcing the Eighteenth Amendment. In 1933 Prohibition was abolished, putting more union members back to work.

Despite this good fortune, unionization of the labor force was still decreasing. In the past, the federal government would not have concerned itself with such a union

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[8]Ibid., p. 176.

problem. But now, through the union movement, most government officials were convinced that strong unions could spur national economic recovery.

With President Roosevelt supporting and actively advocating unionization under the New Deal unions prospered. The outgrowth of this complementary relationship was that for the first time, the federal government guaranteed workers the right to organize and join unions. If a majority of workers wanted to unionize, their employer, through the Wagner Act, was legally compelled to bargain with them. Moreover, the National Industrial Recovery Act pleased both sides by allowing management to control production and raise prices, while promising labor the right to put a floor under wages and reduce hours worked per day.

Craft vs. Industrial Unionism Revisited

The result of these federal pro-labor policies was an organizing frenzy of all workers -- skilled, unskilled and even unorganized workers. The HERE leadership quickly realized that purely craft union methods were not well adapted to successful organizing in the hotel and restaurant trade in which so many unskilled or semi-skilled people constantly reduce the status of the trained craftsmen. Yet, the AFL held to this conservative past and stuck to the craft union route.

As a result, a critical mass of dissidents formed. Mounting support of industrial unionism was championed under the belief that only when all the workers, skilled and unskilled, came together in a large union could labor deal with the giant corporation. The craft unionist in an attempt to appease white, skilled workers, not only overlooked the unskilled workers, as they would for the next 50 years, they excluded the racial minorities and recent immigrants that made up the back bone of the industry.

Union Response: Mass Organizing

These practical and ideological differences were the main impetus behind the formation of the Committee on Industrial Organization (CIO) in 1935. The basic philosophy of the CIO was "to encourage the organization of the unorganized workers in mass production industries on an industrial basis."[9] This approach met with great success as large numbers of semi-skilled and unskilled workers joined the industrial unions. Essentially, the CIO succeeded where the AFL had failed -- organizing the unorganized.

Instead of continuing as an old fashioned craft union and limiting itself mainly to better paid bartenders and crafts persons in the trade, the HERE adopted the methods of the

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[9]Marten Estey, The Unions: Structure, Development and Management. (New York: Harcourt, Brace, Jovanovich, Inc., 1976) p. 24.

industrial unions and began to marshal the masses of semi-skilled or unskilled workers in the hotels and large self-service food factories. Thus, the HERE, as before, had taken the cue of the mounting industrial union movement to heart, and although in theory they clung to the notion of craft unionism, they emulated the CIO by organizing according to industrial lines.[10]

Government Attacks and Union Response

As the nation crawled out of the Great Depression by the end of the 1930s, traditional union organizing and management pressure tactics were altered by the U.S. involvement in World War II. The federal government reversed its support of labor and brought powerful pressure "to bear on all unions to the end that stoppages of production might be banned by voluntary no strike pledges."[11] The War Labor Board, armed with full wartime powers, prohibited all strikes and instituted wage and price controls, bringing about a change in union bargaining tactics.

As the war came to a close in 1946, and the nation re-tooled itself, economic expansion set in. Many locals moved to improve their conditions through a process of mass

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[10]Matthew Josephson, Union House, Union Bar. (New York: Random House, 1956) p. 285

[11]Ibid., p. 293.

organizing and calculated strikes. Management acquiesced to labor's threats so as to benefit from the fruits of this economic expansion. For the majority of union membership, this trend followed a reduction in daily hours worked, the introduction of health and welfare benefits and an increase in take home pay. This was a prosperous time for the HERE, as membership doubled and the establishment of educational apprenticeship programs improved and strengthened leadership's accountability to workers.

But, just as quickly as the locals witnessed an increase in power and membership, anti-union legislation gained support, culminating with the passage of the Taft-Hartley Act in 1947. This legislation, which safeguarded the interest of employers, put the locals in the familiar position of having to defend themselves against anti-union forces. The primary mechanisms by which to do this were through the well-worn tactics of increasing membership and centralizing leadership.

Throughout this period (1950s and 1960s), the International perused an arduous and unremitting organizing effort with the object of bolstering their political clout so as to repeal or alter pro-management legislation. As attacks on all segments of labor increased, the HERE and the AFL realized that it was in their best interest to merge with the growing CIO. This agreement was consummated in 1955.

The HERE also reorganized the structure of its leadership, providing the president with the added power of

disciplining or regulating the affairs of local unions, "not only in cases of subversive activities, but in all other instances of proved malpractice."[12] This allowed the president to better direct the HERE organizing staff and to move promptly to affect local union actions, especially strikes.

A New Historical Path: Local 26 and President Buzzotto

In 1973, change started percolating from the bottom of the Boston craft unions to the top. A member of the Local 34, Dominic Buzzotto, who had been much inspired by his involvement with Dr. Martin Luther King and the Civil Rights Movement, advocated for the merger of all three of the Boston craft locals in partial response to the 1964 Civil Rights Act outlawing separate unions for women and men.[13] This amalgamation was instituted to help pool the economic power of the hotel and restaurant workers, unskilled and skilled alike, and, as in the past, to organize workers into one solid phalanx.[14]

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[12]Ibid. p. 335.

[13]Local 26 was formed from the merger of Local 277, Hotel Catering and Waitresses Union; Local 34, Bartenders and Dining Room Employees' Union and Local 186, Cooks and Culinary Workers Union.

[14]Betsy Aron, Mobilizing Strategies in Times of Transition, Local 26: A Case Study of Participation and Power. Unpublished Paper, Department of Political Science, Bradeis University, 1990. p. 12.

Although much of the previous history of the Local and the International had grudgingly recognized the importance of organizing the lower-income, unskilled workers, the experiences of the 1960s had accomplished little toward bringing these people into the union ranks. Representation in decision making only reflected the concerns of bartenders, cooks and other high wage earners and effectively overlooked disenfranchised and unskilled union members. According to the current president of Local 26, Dominic Buzzotto, "the back of the house workers were union members with no voice, no representation at this time. They never knew the benefits of unionism and therefore their participation and membership into the union wasn't fully realized."[15]

In 1979, a fire at the Shearaton Hotel restaurant provided the impetus for the movement away from traditional union leadership. With the burning down of the hotel and the loss of jobs that occasioned it, Dominic Buzzotto, learned a valuable lesson about the working and living conditions of other union members and leadership's irresponsiveness to their problems. Left without a job, Buzzotto went to Local 26 to help him find new employment. When both union leadership and hotel management refused to respond, Buzzotto resolved that he

[15]Interview with Dominic Buzzotto. February 4, 1991.

would seek the union presidency by making the administration more accountable to all workers.[16]

Buzzotto's Rise to the Top: A Change

As Buzzotto visited numerous hotels to garner support for his campaign, he noticed that not much had changed since the late 1960s:

> "As I visited the hotels, one thing stood out. If you were a waiter or a bartender, positions held by whites,you received free meals and ate in the employee cafeteria. If you were stewarding or house keeping, minority jobs, you paid for your meals and ate in the back stairwell."[17]

In response, Buzzotto decided that in order to make the union responsive and accountable to all members, he would institute a "rank and file movement" and organize the "back of the house" workers, as had been advocated under the early industrial union movement, to capture and change the leadership of Local 26.

Buzzotto did this through a three year grass-roots campaign of visiting workers at their homes, neighborhoods and churches, as opposed to only at work, and reiterating to them that the union could work for them with their involvement and support for him.

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[16]Caitlin Deinard, Contract Negotiations at Local 26 (A). (Cambridge, MA: Harvard Business School, Case no. 9-490-062, 1990) p. 4.

[17]Interview with Dominic Buzzotto. February 6, 1991.

Throughout his campaign, Buzzotto highlighted the inequities that existed between the "front of the house workers" (waiters, bellmen) who earned high wages and gratuities and the "back of the house" workers (dishwasher, maids etc.) who were underpaid workers of color.[18] He promised to restructure the Union to end such injustices. The slate he chose, calling itself HELP(Hotel Employees for Leadership and Pride) reflected this goal, as it included people from different racial and ethnic backgrounds and various job classifications. This multi-cultural, multi-vocational slate was a departure from past Local 26 campaigns. Under the previous leadership, led by president "Hotel Joe" Sullivan, slates were comprised of front of the house workers who were the only active and voting members of the Union.

After being elected president in 1981, Buzzotto strayed from past labor practices and continued to encourage the involvement of the predominantly minority, back of the house workers. According to Buzzotto, they did this through the non-traditional approach of internal organizing. That is, they strengthened the union by informing and encouraging members to use their benefits. They spoke not only of increasing wages, but of improving members lives through increased benefits and member involvement in the union's operation. This was drastic departure from other unions who

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[18]Local 26 Organizing Memorandum, The Hotel as a Plantation, 1986, p. 1.

emphasized simply increasing wages and membership, while neglecting to inform membership about how the union could work on their behalf.[19] As the members became more cognizant of their voices, they became less apathetic and more involved in union administration, policies and benefits structure.

This had a great impact on the future progressive trajectory of the union membership. In a collectively made policy decision, Buzzotto, prior to contract negotiations, was required to have the membership polled to find out their needs and concerns. This focused union energies as "each year an issue was targeted for the negotiation, which then became a rallying cry for the union."[20]

Planting Seeds for a Housing Trust Fund

As a result of this issue-targeting process, Local 26 demanded a dental trust fund in 1982. In the contract negotiations, the hotels agreed to pay five cents per hour worked by every employee into a dental trust fund. The money collected was used to establish a dental service for workers and their families. Any individual sponsored by a union member could also receive the dental services at a reduced

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[19]Interview with Dominic Buzzotto. February 6, 1991.

[20]Caitlin Deinard, Contract Negotiations at Local 26 (A). (Cambridge, MA: Harvard Business School, Case no. 9-490-062, 1990) p. 6

cost from the union dentist.[21] This process heightened members' awareness that they indeed did have a voice in union policies.

In 1985, the new call was for a legal services fund, which provided for a contribution of five cents per hour worked into a legal trust fund. Through this program, union members and their families receive representation and legal advice in areas such as immigration, real estate, contracts and credit problems. According to Buzzotto, the negotiating team included 65 members in 1985, with the transcripts of the meeting translated into many different languages so as to notify and include as many members as possible in union negotiation and operations.

Creating this responsive mood provided members with a sense that they had control over their union. As a result, in 1988, the union went one step further and began the process of instituting what many termed a "non-labor" issue. With the active use of the legal services trust fund, Local 26 leadership discovered that many union members' legal disputes were connected with their housing. Workers were paying high rents and receiving substandard accommodations and as a result, taking their landlords to court with other local residents.

Many of the low wage employees lamented over the dearth of affordable and satisfactory housing and pressed Buzzotto to

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[21]Local 25 Dental Program Brochure

take action. Predictably however, the issue received much lip service by other labor unions and little substantive action. Yet, Local 26 was set to provide a more definitive remedy to this problem.

Subsequent to the legal dispute discovery, Local 26 queried its membership concerning issues to raise in the 1988 contract negotiations. Not surprisingly, housing affordability and satisfaction emerged as the most serious concern.

The Battle for a Housing Trust Fund

Having asserted itself as one of the most progressive unions in the U.S., Local 26 was prepared to forge new ground. In late 1988, union members overwhelmingly agreed to strike on the heels of the National League of Cities Conference at a Boston hotel if the hotel owners did not accept a proposal that provided for the creation of a jointly run housing trust fund. The hotel owners acceptance came, albeit grudgingly.

To create local support for the Trust, the union instigated a highly professional campaign that portrayed the hotel industry as a thriving, highly profitable industry readily able to meet the legitimate demands of the workers. They also accused the hotel industry of being at the root of the affordable housing crisis:

> "While workers are unable to find adequate housing, the hotel owners develop and finance commercial and

luxury housing projects that exacerbate the housing crisis."[22]

More importantly, the union broadened the struggle beyond the typical labor-management issue into a community issue for justice. By documenting hotel management lifestyles (in one case a hotel manager's garage was appraised at $37,000!) and rattling off unbelievable statistics of hotel investment potential in affordable housing, this struggle was transformed into a basic battle for justice.

However, the issue of creating a housing trust fund brought its problems. The first issue the union had to grapple with was how to design the Trust. And, given that, how to implement it.

Local 26 had three designs for the funding and operation of the Trust. The first was to raise union dues and apply this raise to a trust for housing. The second was to seek a wage increase and subtract a portion of this for the Trust. Neither of these approaches required a change of the Taft-Hartley Act because management was not involved. But the union wanted management involvement because, according to Buzzotto:

> "By involving management, we forced them into the Taft-Hartley Act, and made both management and the Local responsible to oversee it...companies like Shearaton and Hilton would make sure the Trust was run correctly because it was federally mandated and their reputation was on the line. The union brought the idea and management brought the expertise to make it work so

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[22]Local 26, "Part I: Who Benefits from Boston's Housing Crisis?, 1986, p. 2.

they wouldn't be embarrassed."[23]

Moreover, this approach fit well with the Local 26 ideology that benefits are more important than wages. As noted by President Buzzotto "five cents more in wages isn't going to buy you anything, but if you pool that, you can get a lot."

Even with the joint-trust established, the contract was still illegal according to labor law, but Local 26 felt they could change this. Prior to Local 26's housing trust fund, collective-bargaining agreements could only provide for jointly managed benefits specifically named in the Taft-Hartley Act, of which housing was not included. The Taft-Hartley banned most joint use of employer funds by unions and management in order to prevent collusion and corruption that could arise from such arrangements.[24] For the Local 26 contract to be executed in accordance with the Taft-Hartley, it had to be amended to include housing benefits. As a result the Union took upon the monumental task of changing the Taft-Hartley Act.[25]

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[23]Interview with Dominic Buzzotto, February 6, 1991.

[24]This important to the HERE given that they have been routinely investigated for organized crime affiliations.

[25]Allan R. Gold, Boston Hotel Workers Gain a Housing Trust Fund. (New York Times, December 4, 1988)p. k1.

The Politics Behind the Housing Trust Fund

In September of 1989 over two-hundred members of Local 26 canvassed Capitol Hill lobbying Senators and Congresspeople, much as Local 77 did under the Norris Laguardia bill, to permit unions and employers to establish, pursuant to a collective bargaining agreement, a housing trust fund. According to Dominic Buzzotto, "...members could have lost their jobs and the union gone bankrupt, but they felt affordable housing for workers would have broad political support."

The union engaged in this effort without AFL-CIO support. According to Buzzotto "the AFL-CIO felt that by opening up Taft-Hartley the anti-union forces in Congress could weaken other unions. In fact, the AFL-CIO right up to the negotiation opposed it because they insisted it was a non-labor issue."

But, Local 26 defiantly pressed on. While on Capitol Hill, the union members linked with other craft unions, as they did during the depression, and popularized their struggle as a fight for the "little guy". This issue was appealing to both political parties. On the one had, it allowed Democrats to continue their fight for the poor and oppressed. And on the other, it satisfied the Republican concern for less government and more private sector initiative in curing the housing crisis.

In the end, the legislation was sponsored by Senators Ted Kennedy (D-Mass.) and Orin Hatch (R-Utah) with the bill being unanimously passed by the Senate on November 22, 1989. The bill also received approval from the House and the U.S. Department of Labor, who under the Reagan administration consistently opposed innovative uses of union pension funds. Eventually, the bill was signed into law by President Bush on April 18, 1990, capping one of the most dramatic union struggles in recent history and reinforcing the locals departure from traditional union benefits.

Conclusion

The vigorous fight for the HTF has catapulted the union into a new arena in which it must design an effective housing program that will meet the diverse housing needs of its generally low-income membership. Such a mission rekindles two themes that have characterized the Local's past. First, in an effort to break from past traditional union practices, the union has proposed a redefinition of union involvement in housing development. Their program does not provide jobs for their members nor does financing rely on union pension funds. Instead, the union wants to take a new stance and involve the employer, through an employer-contributed housing trust fund that will be used to write down mortgage interest rates, provide downpayment assistance and much more. However,

providing housing assistance to all union members through the HTF resuscitates the well-worn struggle concerning who has rights to such a benefit -- the predominantly white, more well-to-do skilled workers or the lower income, often minority workers. This is a real allocative dilemma given that assistance cannot be provided to all even though everyone must contribute and benefit from this fund.

Chapter 2
UNAC Housing Program: Balancing the Needs of All Members

The obstacles Local 26 has confronted in the past have not dissipated. Members, especially "back of the house" workers, still earn deplorably low wages while serving as the back bone of the hotel industry. Management continues to recruit recent immigrants while offering them non-competitive wages. And, the federal government actively supports anti-union laws that work against any innovative use of union pension fund investment in affordable housing. The end result of such tactics is that housing is placed further beyond the reach of hotel workers. In response, the union has combated this unfriendly climate through its successful efforts in having the Housing Trust Fund (HTF) incorporated into U.S. labor law. Now, the task for Local 26, after having created this new resource, is to use it in a way that best meets members' housing needs. Now that Local 26 has created this resource, it must use it in a way that best meets its membership's housing needs.

Toward this effort, this chapter will outline the route that the union has taken thus far in meeting its membership's housing needs. First, the chapter will provide an overview of the housing situation facing many Local 26 members. It will then go on to outline the union's responses to members' housing conditions through the UNAC housing program, while

paying particular attention to the separate distributional concerns that accompany any allocation of this scarce resource. After that, the chapter will highlight some of the housing program shortcomings concerning the present distributive policy and offer some suggestions for curing these distributive dilemmas, while noting that meeting the demands and interest of all UNAC members is not feasible.

Determining how to satisfy all the concerns of the membership necessitates an understanding of the union members' housing needs. Central to this concern is the following question: What housing problems are union members confronting? In 1988, the union set out to answer this exact question through a housing survey.

The Housing Survey

The responses to the survey are indicative of the housing environment confronted by many Boston residents as corroborated by the *Local 26 Housing Needs Assessment Survey*.[1] Under this study, which is continually updated, questionnaires concerning workers' housing conditions were mailed to all Local 26 members covered by contract with major hotels (i.e. 60% of membership). A preponderance of the responses came from low-income workers (undoubtedly because they have the

[1]According to a 1988 study done by Abt Associates, renters in Boston pay 50 to 55 percent of their income toward rent and utilities.

most severe housing problems), with an overall response rate of 7.94%.[2] It was acknowledged in the report that this was not a representative or random sample. However, the report stated that, " the survey should not be seen as representing all unionized hotel workers...it is, however, reflective of the lower-paid workers who live close to the central city, and who make up about two thirds of all unionized hotel workers."[3]

According to the survey, approximately three quarters of all respondents had some type of problem with their housing situation, the most common of which were substandard apartment amenities, exorbitant rents and overcrowding. Thirty one percent of respondents noted that there were more than two people per bedroom in their apartment, while 11 percent had more than three people per bedroom. Other problems faced by union members included imminent displacement due to condominium conversion or eviction (10%), crime and drugs in neighborhood and heating problems.

The income characteristics for multiple wage earning households, provided a slightly rosier picture, but are far less promising than the present median income for Boston residents. The median family income of respondents was $22,000. As one would expect, union members' household incomes varied according to how many wage earners were present

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[2]Surveys were sent to the 3,200 members covered under the hotel contract with 254 members responding.

[3]Local 26 Housing Needs Assessment, June 1988, p. 3.

in the household -- 42 percent had one earner, 33 percent had two earners and 25 percent had 3 or more wage earners. Given this breakdown, the overall average income was $24,700, while for single-wage earning households, the mean income was only $16,800.[4]

More disturbing is that approximately half the respondents had no savings that they could apply to a downpayment or a security deposit for a home or apartment. Of the respondents with savings, the median amount saved was $5,000, with roughly a third reporting $7,000 or more in savings.

Despite the low incomes of many of the respondents (see table 1) few receive any federal or state housing subsidy or live in public housing (8%).

Table 1
Household Incomes for UNAC Members

Less than $10,000	3%
$10,000 - $19,999	36%
$20,000 - $29,999	33%
$30,000 - $39,999	17%
$40,000 - $49,999	7%
$50,000 or more	5%

However, many are eligible for public assistance, but according to the study, few know how to apply or have lost interest in trying to secure housing assistance through the public sector. In fact, 78 percent of the respondents'

[4]According to Betsy Aron who worked for the Union for the past three years and Bruce Marks, Executive Director of UNAC, these income figures still hold today due to small increases in wages.

families are eligible for section-8 assistance, and 50 percent qualify as "very low income" (i.e. have income below 50 of the area median income) and therefore are eligible for Boston public housing.

It is clear that much of the city's housing stock is beyond the grasp of many union members. This is aptly illustrated by the fact that if rent was to remain at 25 percent of income, more than 75 percent of union members who answered the survey would not be able to meet the rent on a typical two bedroom market rate apartment renting at $825 a month.

Given these survey results, it is apparent that the housing needs of the union membership span a multitude of conditions. While many workers are experiencing difficulties with their housing situation, some families have sufficient income to purchase a subsidized home, and still others are just beyond homelessness. With regard to home owning and renting, most workers find themselves in four difficult financial situations. First, they have enough income to support a mortgage, but not enough savings to cover downpayment and closing cost. Second, they have sufficient savings, but lack the income to cover the monthly debt service on a mortgage. Third, their financial condition and credit histories do not conform to the current conservative banking industry underwriting standards. Or fourth, they lack the financial resources to come up with first and last months rent and a security deposit.

Union Response To Workers' Housing Conditions

The union has begun to respond to the four issues listed above through the establishment of a legally and organizationally separate non-profit housing arm called the Union Neighborhood Assistance Corporation (UNAC). Although in its early stages, UNAC has already designed two programs to combat the housing crisis. First, through the Housing Development Program (HDP), which has yet to get off the ground, diverse financial resources such as International and Local 26 union pension funds and public and private resources will be pooled to finance and construct new units of affordable housing for Local 26 and community members. These units will be developed through joint ventures with neighborhood-based community development corporations and private developers in exchange for worker set-asides. Second, the Housing Assistance, Counseling and Credit Service (ACCESS), which has been operating successfully for over a year, especially in enrolling income-eligible members for section 8 and public housing, provides a vast array of counseling and referral services to hotel workers and community residents trying to buy or rent affordable housing units, with financial assistance provided to union members through the soon to be operative employer-contributed Housing Trust Fund (HTF).[5] Understanding the union membership's financial conditions,

[5]Local 26 Housing Program Proposal, 1988.

particularly issues concerning income and savings, is a crucial precursor to establishing a housing program. For housing development projects done through HDP, members financial conditions will determine the mix of ownership options and housing and rent prices, in addition to the type of public subsidies sought.

For ACCESS, the financial characteristics will determine the type and quantity of technical and financial assistance required. For example, people with low-incomes are likely to need help in understanding the subsidized rental housing maze, while higher income families may need assistance in locating good lending institutions and understanding mortgage underwriting criteria.

Preliminary UNAC Housing Program

After having taken all the members' financial characteristics into account, plus recognizing the dearth of federal and state housing resources, UNAC has responded with a skeletal six-part housing program for the employer-contributed HTF that will potentially be used as the national model for the provision of decent affordable housing assistance for service workers. In designing the program, which will be outlined in the following section, the union looked to the four common financial situations of workers noted earlier, while keeping an eye on the low-income nature of the

membership. Given this, they then tried to satisfy these conditions through the following mechanisms: rental guarantee; lease-up guarantee; downpayment assistance; mortgage buydown assistance; non-conforming loans and rehabilitation assistance.

Table 2

Overview of UNAC Housing Program

Rental Assistance	Assures payment of the members first and last months' rent plus security deposit through the HTF on an appropriate apartment.
Guaranteed Lease-Up	UNAC provides a limited-guarantee for lease-up on apartments for three years in exchange members receive below market rents.
Downpayment Assistance	Member required to make monthly contributions into an interest-bearing bank account through automatic payroll deductions which are augmented by HTF monies. Maximum loan amount $5,000.
Mortgage Interest Rate Subsidy	Buydown reduces the interest rate 300 basis points in year 1 and 2, 200 basis points in years 3 and 4, and 75 basis points for remaining two years. Maximum amount loan $7,500.
Non-Conforming Loans	HTF monies used to purchase PMI guaranteeing 20% of mortgage for people whose financial condition does no conform to standard underwriting criteria. Maximum loan amount, $7,500.
Rehabilitation Loans	Loans provided on units where at least $3,000 of renovation is needed. Maximum loan amount, $5,000.

Rental Assistance

The first form of assistance, aimed at lower-income

workers who do not have sufficient savings to rent a decent affordable apartment, is the rental assistance guarantee policy. This policy assures payment of the worker's first and last months' rent plus security deposit through the HTF monies on an appropriate apartment so that the participant does not have to provide the money up front. The logistics of the guarantee require a bank to service the HTF by establishing a collective bank account to all landlords who rent to eligible workers. The HTF does not supply actual dollars to the landlord, but rather a legal certificate guaranteeing payment.

UNAC has grappled with a number of methods for recapturing these funds in instances of employment termination or refusal to pay. The first mechanism proposed to cure such an ill was to have the termination date of the guarantee run with the lease or yearly so that the HTF would not have to continue guaranteeing the funds. Wanting to avoid any type of legal proceedings, UNAC has also advocated establishing a lien on any lump sum benefit paid at termination, namely pension funds, to recoup losses. UNAC's latest discussion has members making monthly deposits into a bank account that will eventually equal the amount guaranteed, with payment ultimately being provided to the landlord so the certificate can be terminated.

Recognizing that landlords and tenants do not always agree on the issues of damages to the apartment or sufficient notice to leave, UNAC has called for a 30 day period in which

the landlord, in order to be repaid, can submit a claim documenting such facts to the bank and UNAC. The bank forwards the requested funds to the landlord after informing UNAC. If the tenant indicates that the claim is invalid, he or she has the right to contest the landlord in housing court. If the court rules in the tenants favor, the member is entitled to any additional damages awarded by the court, with the member reimbursing the HTF irrespective of the court's decision.

Guaranteed Lease-up

The declining real estate market in Boston, with its falling rents and increasing vacancies, has led UNAC to adopt a master lease program that complements the rental guarantee policy. Under this program, UNAC provides a limited-guarantee for lease-up on apartments for three years, while fully guaranteeing the security deposit and one month's rent. In return, union members receive below market rents on the union set-aside housing units. If UNAC is unable to provide tenants within one month of vacancy, HTF monies are used to cover the next two months of rent so that the landlord can cover his or her rental loss. Unlike the rental guarantee policy, this program also covers the non-payment of rents for up to three months.

Downpayment Assistance

Looking beyond rental situations with hopes of increasing homeownership opportunities for its membership, UNAC has drafted a downpayment assistance policy for those members who have the requisite income, but do not have the savings to meet downpayment and closing cost. This policy is directed at resolving credit problems, having the participant save money and providing education about the homebuying process so that the participant can facilitate the purchase of a home.

Under this policy, participants' are required to make monthly contributions into an interest-bearing bank account at an approved lending institution through automatic payroll or checking account deductions. The required savings amount is based upon a UNAC-assisted individual analysis of income and family expenses, with the ultimate decision left to the participant. The employer-contributed HTF monies are used to supplement the money participants save. The size of the match is based on a combination of need, which incorporates family size, income and current housing expenses. Regardless of the housing situation the maximum HTF contribution is $5,000 per family.

After the participant enrolls in the program, he or she is required to attend a series of private budget and informational homebuying counseling sessions. A preponderance

of these sessions focus on how much participants can borrow based on their current income, the necessary money and time it will take toward meeting the closing cost and downpayment, the range of home prices they can afford and the process of making offers and executing a purchase and sales agreement.

As with any contract, breaches do occur. Thus, if the participant does not save the agreed upon amount for two months, the contract is void. Taking into account the cyclical nature of the hotel industry, the contract will remain intact for the first six months of a layoff, with no participant or HTF contributions. In order to facilitate the homebuying process, so that no unexpected obstacles arise, UNAC will also periodically reverify employment and credit information to ensure participants remain eligible for the homes they originally set out to purchase. If a problem does arise, UNAC will try to resolve it quickly so that the home purchase plan can continue undisturbed.

Once the requisite amount is saved with HTF and personal contributions, the participant receives a "diploma" certifying that they have a certain amount of money for downpayment and closing cost, and that they qualify for a particular mortgage. UNAC staff then assist participants by educating them about current home selling prices so that they can negotiate a purchase price. Thereafter, the process of locating a home begins with UNAC presenting this information to real estate brokers and sellers.

Mortgage Interest Rate Subsidy

As was indicated in the housing survey, satisfying the downpayment requirement is not the only problem participants confront in purchasing a home. Rather, some have the necessary savings, but lack the income to cover the monthly mortgage debt service. As a result, UNAC has drafted an interest buydown program in which the interest rate of an already lower than market rate mortgage offered by a public finance agency is written down further with HTF money. As the buydown is tentatively structured, UNAC in conjunction with the Massachusetts Housing Finance Agency (MHFA) First Time Homebuyer Mortgage Program, lowers the interest rate on below market rate loans further for eligible participants for a six year period with HTF monies. Similarly, UNAC has also discussed the idea of negotiating a lower interest rate and looser underwriting criteria with a private lending institution in exchange for an exclusive with the large customer pool of union members. In any case, the maximum buydown may not exceed $7,500.

UNAC staff calculate how much the total interest buydown cost based upon the actual mortgage amount. They then issue a certificate which symbolizes that the HTF money has been committed to the participant. Once the loan actually closes, the total dollar amount needed for the buydown is transferred from the HTF budget to the buydown account. Then, on a

monthly basis, as payments are made on the mortgage, the bank transfers the HTF amount for each payment from this account. The assumption behind such a program is that after the six years is up, the individual's income will grow so that he or she will be able to afford larger monthly debt service payments.

Logistically, the buydown reduces the interest rate 300 basis points for the first two years, 200 basis points for years 3 and 4 and 75 basis points for the remaining two years. Thereafter, the mortgage increases to the actual rate.

As with downpayment assistance, UNAC staff review each applicant's situation to determine if he or she is bankable (i.e. stable employment, good credit, housing to income expense and debt to income expense ratios acceptable to the residential mortgage lending community) and needs the buydown to purchase a home. After receiving a certificate symbolizing these funds, the participant has roughly ninety days to locate a house and execute a Purchase and Sales agreement (P&S). During this time, the individual, while receiving assistance on searching for a home, learns how to negotiate the P&S and mortgage application process.

Non-Conforming Loans

The non-conforming loan policy is geared toward participants whose financial situations do not conform to

standard mortgage underwriting criteria. This is important because the standard underwriting criteria have a major impact on the ability of a participant to purchase a home. These guidelines, which are issued by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), are generally viewed as the industry standard and are designed to ensure that the costs of the mortgage appropriately relates to the borrower's ability to pay. Presently, the Fannie Mae underwriting criteria suggest that total monthly housing expenses cannot exceed 28 percent of gross monthly household income if the loan to value ratio (LTV) is .90 or less. If, as is the case with many HTF participants, the LTV is greater than .90 "total monthly housing expenses cannot exceed 25% of gross monthly income ...."[6] This greatly decreases mortgage opportunities for many union members.

In the hotel industry, it is quite common for workers to have credit and payroll histories that do not adequately reflect their ability to pay a mortgage. Thus, it is the aim of this policy to assist these individuals. Through this program, UNAC will use the HTF monies to purchase private mortgage insurance (PMI), which is generally required on all mortgages where the LTV is greater than .80. The PMI will guarantee 20 percent of each loan against loss in instances of

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[6]Denise DiPasquale, First-Time Homebuyers: Issues and Policy Options. (Cambridge, MA: MIT Housing Policy Project, 1988) p. 15.

foreclosure or default. Thereafter, the participating bank will hold these mortgages to allow them to season. After this period, the bank will assume the total mortgage risk provided payments remain up to date.

Most participants will be required to pay a small "risk premium" into a guarantee fund or towards the PMI premium. The HTF will then pay the initial cost and the monthly payment with each participant paying back all or a portion of these cost, according to their ability to pay. Total outlays will amount to no greater than $7,500.

Other stipulations of this policy require the participant to have enough savings to cover 5 percent of the downpayment and closing cost. Moreover, the buyer must be ineligible for a standard mortgage product, so as to provide this opportunity to those who truly need it. Lastly, if the participant defaults on their loan, the bank is obligated to seek legal recourse to recoup the loss from the participant, with the money retrieved used to pay back the HTF and the outstanding loan amount.

Rehabilitation

Under the final program, the supply of affordable housing available to HTF participants is increased by preserving the existing stock and/or by providing new housing. The funds for this program are supplied by the HTF in conjunction with

dollar matches that are to be provided by MHFA.

The first part of the program incorporates the MHFA requirements for eligible buyers (those with incomes less than 120% of area median income) who purchase homes or condominiums that need at least $3,000 in renovations. After the participant secures financing, which may be liberalized through MHFA, to purchase and renovate the unit, the HTF provides up to $5,000 in rehabilitation funds as a non-interest bearing, permanent recapture loan with additional monies provided by the state government. Priority is given to those units that are located in economically distressed areas where the properties are foreclosed or blighted.[7]

The second component of the policy concerns the provision of below market rate rental set-asides for union members in exchange for the use of HTF monies to for-profit and not-for-profit developers who are rehabilitating blighted or foreclosed properties and/or developing new housing. Through this program, developers must agree to set-aside housing units for HTF participants for at least 5 years. The maximum loan amount per set-aside units is $5,000 with project selection based upon a combination of project risk and feasibility, community benefit and the number of rental units set-aside.

In all four of the previous policies -- downpayment, mortgage interest rate, non-conforming and rehabilitation

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[7]Many Local 26 members reside in such communities like Dorchester, Roxbury, Mattapan, Cambridge and Sommerville.

loans -- resale restrictions apply to the property. Participants are required to sign a limited equity restriction incorporated into the deed restricting the amount of appreciation the buyer can realize annually to 5 percent or set to the Consumer Price Index, whichever is the lesser, for fifty years. This restriction remains intact regardless of changes in ownership. In addition, union members will have the first right of refusal to buy the property. If the owner wants to sell the property at any time, he or she must contact UNAC and give them three months to locate a qualified buyer from the membership. If UNAC is unsuccessful in locating a buyer, the owner can sell the house to anyone of their choice at the specified price with the new owner required to maintain the equity restriction and the right of first refusal with UNAC members.

Problems with HTF Distributional Criteria

Now that the union has formulated a preliminary plan for providing housing assistance, it must take the even more difficult second step toward constructing a criteria by which this assistance will be distributed. This task is particularly problematic because workers confront different housing situations and have different capacities to afford housing.

The appropriate funding choices ultimately depend on the target population, with the caveat that all trust benefits, as

required by U.S. labor law, must represent the interest of every union member. This means that the benefit will have to be allocated in a way that helps all members, while simultaneously providing housing assistance to those who need it most.

This poses a serious problem. UNAC has a very small pool of money and yet it must distribute this with an eye toward the interest of all members. But, trying to meet every members' needs with this scarce $1.5 million, given that 75% need housing assistance, is not possible.

A simple example bears this out. Suppose 200 low-income members (or 4% of membership) seek interest subsidies at the maximum amount of $1,500. At this rate, the HTF would be depleted in one year with little or no payback. Some might argue that such intense use of a Trust is preposterous. But is it? Almost every member could benefit and qualify for some type of housing assistance. Couple this with workers preoccupation to secure housing, especially in a declining real estate market that has produced reduced housing prices, and members will scramble to secure their piece of the HTF pie.

Under such a scenario, UNAC can take one of two distributional routes or engage in the familiar struggle of changing U.S. labor law. First, UNAC can either provide minimal financial assistance to many members, while providing insufficient assistance to the lowest income members. Or

provide large subsidies to a few, very needy members, while scantly providing assistance to moderate- and higher income members; it cannot do both.

If UNAC is unwilling to make this choice, while clinging to its commitment of providing assistance to the lowest income, its best bet is to amend present U.S. labor law requiring that all benefits represent the interest of every worker. First, UNAC could try to seek an exemption from this law by noting their peculiar situation of having such large disparities among member incomes and the irreconcilable trade-off this presents. If this proves unsuccessful, UNAC could take on the more politically charged task of allowing unions to direct their benefits to whom they see fit.

Although Local 26 is experienced in changing labor law (*a la* the HTF movement), it seems very unlikely that such an act would produce strong political constituencies among union members and Congress given that all members are contributing to the HTF and therefore will want to benefit. Thus, UNAC is caught between a rock and a hard place on the issue of how to distribute this benefit.

The union has been reluctant to acknowledge this predicament. Granted it has envisioned six forms of housing assistance that will move toward satisfying many members' housing needs, the union cannot possibly meet all the housing needs of its financially diverse membership. In any case the union must still formulate a criteria by which to distribute

this benefit.

In designing the criteria for their distributional policy, UNAC has tentatively looked to include issues of seniority, status as first time homebuyer, current housing situation, rent as a percentage of income, savings, income in relation to Boston AMI, credit history and ability to pay. Generally, participants are prioritized according to need in relation to these characteristics, with the weighted importance of each yet to be determined. The criteria, as drafted, specifies either a minimum, maximum or range of income or savings in order to qualify (adjusted for family size). Priority is then given to lower-income persons who have less savings within these parameters. Seniority fits into this calculus as well, with greater priority given to participants who have been members of the union longer (a minimum of two years is required to receive any assistance). For those who live in a hazardous situation or are first time homebuyers emphasis and priority is placed on resolving this condition. The criteria also separately takes into account rent and debt as a percentage of income, with priority given to those who pay a larger percentage of their income for rent and debt. Like income, the criteria specifies either a minimum, maximum or range of savings in order to qualify, with lower income participants receiving greater priority.

Beyond these general criteria, all participants must meet the following requirements. First, participants must have an

income that supports a reasonable-sales price or rent for the type of unit they want to buy.[8] Second, any credit history problems must be resolved. That is, outstanding debts must be cured with an explanation concerning their origination. Thereafter, for one year, the participant must develop good credit before buying. Lastly, participants are responsible for repaying the HTF money whenever possible. The ability to pay will be determined by an affordability matrix that relates household income in relation to the median income level within the Boston SMSA, rent as a percentage of income and family size (see table 3 below).

Table 3
Affordability Matrix
Percent of median

100%+ Inc. Spent on Rent	0-30%	31-50%	51-80%	81-100%	
	Monthly Payment and Payback Term:				
0-30%					
1-3 persons	$0	$20	$30	$60	$80
4-6 persons	$0	$0	$20	$50	$70
6+ persons	$0	$0	$0	$40	$60
31-40%					
1-3 persons	$0	$0	$20	$50	$70
4-6 persons	$0	$0	$0	$40	$60
6+ persons	$0	$0	$0	$30	$50
41-50%					
1-3 persons	$0	$0	$0	$40	$60
4-6 persons	$0	$0	$0	$30	$50
6+ persons	$0	$0	$0	$20	$40

* This can be varied based on savings or other cash holdings.
* Amounts determined by UNAC and member.
* 0 indicates no payback is required.

Source: UNAC

[8]According to the Union this doesn't mean the employee cannot buy or rent a more expensive unit, but that the HTF will not pay for this choice.

Although the union criteria directs HTF resources to lower-income applicants, it does not sufficiently address instances where workers are of such low-incomes that they cannot locate an affordable rental or homeownership opportunity. Rather, UNAC simply notes that all members must have an "income that supports a reasonable rent or purchase price", while failing to acknowledge that this approach diminishes housing assistance and opportunities for the lowest income. This is clearly a problem for UNAC, especially for those administering the housing program who are committed to the "socially correct" view of providing assistance to the most needy while departing from the "creaming" that occurs in many federal- and state-assisted housing programs.

Resource scarcity prevents adequate assistance to the most needy which is extremely hard for UNAC to swallow. But the realities of housing markets, politics and resources suggest providing assistance to the most needy may prove an irreconcilable trade-off. Local 26 has taken measures to resolve this issue by enrolling members into section 8 and Boston Housing Authority (i.e. public housing) waiting list. Moreover, the rental and lease-up guarantee policies have addressed this issue as well. But, none of these policies guarantee housing opportunities outright to the most needy.

Policy Options

The distributional policy contained in the following programs could potentially ease this trade-off. However, these policy options generate serious concerns that center around political and financial feasibility, equity and compatibility with membership needs.

Cash Grants to the Lowest-Income

Although almost all workers are considered low-income by HUD guidelines, within the context of the union, there are clearly high- and low-income workers (see table 1). Thus, one policy approach would be to provide more assistance to the low-income workers, with a concomitant decrease in assistance to the high income workers. Specifically, an outright cash grant could be made available for first and last months' rent plus security deposit at a certain percent of the area median income, instead of a loan.

Such an approach poses two serious problems for UNAC. First, this policy requires a permanent and deep subsidy, while not contributing to the sustainment of the HTF pool. Since UNAC is committed to the notion that HTF monies must be systematically replaced so that monies remain available for as many members as possible this policy would be difficult to implement.

Second, this trade-off may prove politically unacceptable. Any change in policy that diverts resources

away from one group to another will be perceived as an attack; especially when almost all members are in need of some housing assistance. Moreover, since the union promotes the slogan of "question authority" they can be certain that any perceived preferential treatment, regardless of the reason why, will be challenged.

Dollar Matches

Issues of homeownership for very low-income workers have also been skirted. Under the current downpayment assistance policy, UNAC has indicated that it might provide a 60 percent dollar for dollar match, up to $5,000, for participants who are at or below 80 percent of the Boston Standard Metropolitan Statistical Area (SMSA) median income. Yet, providing the same assistance below a certain threshold is oblivious to the varying degrees of need that exist below this point. Clearly, a two wage earner household at 75 percent of the area median income will require less assistance than a two wage earner household at 40 percent of the area median income. Yet, under this program, these two households are viewed through the same lens with no provisions made for those individuals who are clearly more needy. Such a policy, although not publicly stated, clearly acknowledges UNAC's inability to provide sufficient resources to the very low-income.

A different approach, which incorporates income in

comparison to necessary expenses might prove more equitable. For example, a single-headed household with one child and an income at 50 percent of the AMI, may only be able to save $24 per week toward a $8,736 downpayment, thus taking seven years to achieve this end. This time period could be decreased to 3 years by providing a contribution of $4,992. Another employee may have an income at 80 percent of the median and be capable of saving $40 a week, thereby saving enough money for the downpayment in a little over four years. This could be decreased to 3 years with a contribution equal to $2,912. In each instance, the dollar match more appropriately reflects the financial condition of the applicant. However, this spotlights the issue of providing deeper subsidies to more needy workers; which is something UNAC has had difficulty reconciling.

Buydown Accounts

As the interest buydown program is presently structured, all participants, regardless of income, are subject to the same percentage buydown account, with buydown costs differing according to mortgage amount. Yet, this singular application, might better service low-income applicants if the buydown percentages varied according to a sliding scale either determined solely by income or a mixture of gross income for all household wage earners in relation to housing cost and

number of dependents. For instance, an employee whose income is at 50 percent of the median income and is the sole provider for the household, could be entitled to a deeper and/or longer buydown. On the other hand, an employee whose income is at 80 percent of median income with two wage earners would receive a shorter and/or more shallow subsidy. This policy of providing longer buydowns is sensitive to the reality that lower income, single earner households are less likely to substantially increase their incomes over a longer period than higher income two wage earner families.

Alternatives to UNAC Housing Program

UNAC could, instead of attempting to implement their housing program, use the HTF monies to capitalize and start a revolving loan fund (RLF) or a credit union (CU), while continuing to provide housing counseling services. Although not on the cutting edge like many Local 26 innovations, RLFs and CUs are tried and true means for providing financial assistance to low-income people who are often overlooked by contemporary commercial lending institutions.

The first alternative to the HTF is the RLF. An RLF is a pool of money often used by community development organizations and other non-profit agencies for the purpose of

making direct loans, loan guarantees, loan insurance, reduced interest loans and sometimes equity. As loans are repaid by borrowers, the money is returned to the RLF to make other loans. In this manner, the Fund becomes an ongoing or revolving financial tool.[9]

UNAC could use such a mechanism to provide housing assistance to its members. Specifically, a loan guarantee or insurance could help members secure conventional financing by reducing risk exposure to conventional lenders. UNAC could also augment this risk-reduction effort by linking repayment of RLF monies to payroll deductions or pension funds. Additionally, UNAC, taking from its housing program, could offer rental guarantees, interest buydowns and downpayment assistance (equity).

The added advantage of such an approach, as opposed to the housing program, is that RLFs have a proven track record in providing assistance to low-income people and thus are more acceptable to landlords, bankers and the like. Additionally, the RLF could be capitalized by the employer contributions and possibly through contributions made by foundations, religious institutions and philanthropic organizations. Although UNAC might face a challenge since most RLFs are provided to a defined geographical area, they might change this, through

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[9]United States Department of Commerce. Economic Development Administration Revolving Loan Fund Guidelines (draft). (Washington D.C. Economic Development Administration Directives System, June 9, 1980). p. 2.

their political organizing skills, to include employment.

RLFs does not avoid the distributional concerns contemplated under the HTF. However, UNAC could ease this trade off by requiring that all money received through employer contributions be provided to all members, while contributions through foundations and the like be specifically directed to the lowest-income workers.

Although different from a RLF, a credit union could provide equally salient benefits to Local 26 members. A credit union, is a cooperative, non-profit organization incorporated under state or federal law, by and for people affiliated by a preexisting common bond (i.e. neighborhood, employment), for the purpose of promoting thrift among its members and of loan funds to its membership at reasonable rates.[10] By limiting membership to people that have a common occupational bond, the theory is that credit services will be readily available to all members so that deposits and loans can be made promptly without undue risk. Additionally, the CU lends exclusively to its membership (while accepting deposits from non-members) thus allowing the money to work on members behalf.

Since UNAC has staff experienced in finance and ample work space, the start up of the CU does not appear problematic. Funds could be capitalized by member and non-

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[10]Brad J. Caftel et al. Community Development Credit Unions. (Berkeley, CA: National Economic Development Law Project, March, 1978) p. 34

member deposits and the HTF, thereby increasing loan capacity beyond the level of the HTF.[11] To ensure that people pay loans on time, which affects CUs ability to make loans, payments could be made through payroll deductions or lump sum benefits made at employment termination. Such financial assistance could be provided with the already existing homebuyer counseling service and start up could be further facilitated through technical assistance provided by the larger network of CUs in Boston.[12]

Although a CU is attractive, it does not solve all UNAC's problems. First, a CU, by law, may not have outstanding loans exceeding 25 percent of its assets.[13] This requirement severely limits the amount of money UNAC can offer to its membership. Second, the CU does not get around the distributional problem noted under the HTF. Since all members contribute to the fund, all members must benefit. However, as noted under the RLF, personal deposits made by members could be directed to low-income people. Such a policy would probably produce a weak political constituency and do nothing toward resolving the distributional dilemma. However, the CU

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[11]Member deposits could produce great loan capacity given that Local 26 has 5,000 members.

[12]There is the Massachusetts Credit Union Association, Boston Carpenter's Credit Union and Local 592, Food Store & Allied Workers Federal Credit Union that could provide assistance.

[13]Brad J. Caftel et al. Community Development Credit Unions. (Berkeley, CA: National Economic Development Law Project. March, 1978) p. 148.

is an accepted institution and any loan guarantees or loan made through it will be more readily accepted by the lending and landlord communities.

Summary

UNAC has gone to great lengths to structure their housing program. Yet their effort to direct assistance to the most needy has created the additional problem of having to reconcile the irreconcilable. That is, UNAC wants to provide direct financial assistance through the HTF to the lowest-income workers even though they are legally compelled to distribute this assistance to all members. Some of this trade off has been mitigated through the housing program with the effect of providing insufficient assistance to the lowest income.

UNAC, through its present distributional criteria, is capable of allocating funds to low-income members, but it has not addressed instances where workers have incomes that are so low that they cannot meet monthly rent payments, even with the rental guarantee. Rather, UNAC notes that members must have an income that supports a reasonable rent or mortgage. Although not explicitly stated, such a policy directs assistance to a wide range of members (i.e. low-, moderate- and high-income) while providing inadequate assistance to the poorest members.

This dilemma stems not from some inherent problem with the UNAC program, rather the legal requirement of providing assistance to all members coupled with the limited financial resources and section 8 funds creates this antagonism. To address this issue, UNAC could provide outright grants for rental assistance to the lowest-income or simply guarantee loans to people below a certain median income. To solve the legal provision, the union could attempt to change U.S. labor law so that funds could be directed to a specific income group (i.e. the lowest income). UNAC could also attempt to expand their lending capacity by scrapping the housing program and replacing it with a CU or a RLF, capitalized by employer and foundation contributions and in the case of CUs, member deposits. Lastly, UNAC, as noted in the following two chapters, can also combine its resources with other federal, state and local housing subsidy programs, thereby expanding its resources. Yet, the bottom line under any policy is that none of these options can reconcile the distributional trade off and political haggling that must be made when resources are scarce.

CHAPTER 3

Leveraging Opportunities with the 1990 National Affordable Housing Act

The ability of UNAC's housing program to meet its membership's needs is not solely dependent upon how well it distributes its HTF monies, rather, the success of the program will also be affected by how well UNAC positions itself to take advantage of public assistance funds and housing programs. Specifically, with the 1990 Cranston-Gonzalez National Affordable Housing Act having been passed, it is important that UNAC understand how it can combine its resources with the cornerstones of this Act -- the HOME Investment Partnership Act (HOME) and the Homeownership and Opportunity for People Everywhere Programs (HOPE).[1]

The 1990 National Affordable Housing Act provides the most significant advance in housing programs since the Housing and Community Development Act of 1974. While it does not restore the large funding cuts experienced during the Reagan years, and consequently will not in itself lead to large increases in affordable housing units, it does reaffirm the federal acknowledgement of the 1949 goal of a decent home in a suitable living environment for every American family.

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[1]The HOME program has no acronym.

The new legislation also takes a different approach in funding future housing programs. Instead of funding programs categorically, local jurisdictions are given more latitude in the way funds are used with the government now supplying block grants to states and entitlement communities and local jurisdictions supplying required matching funds.[2]

The new funding approach is not the only element of the Act that deviates from past federal housing policies, rather, the purposes of the Act differ as well. The general purposes of the Act are, among other things, to (1) facilitate downpayment savings for homebuying; (2) retain, where feasible, affordable federally-assisted housing for low-income families; (3) extend public and private partnerships to produce and operate housing affordable for low-income and moderate-income families; and (4) expand and improve federal rental assistance for very low-income families.

HOME

One of the major components of the 1990 Act is the HOME program. Under HOME both the Housing Assistance Plan, formerly required for CDBG funds, and the Comprehensive Homeless Assistance Plan, required under the McKinney Act, are

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[2]Housing Assistance Council, Housing Legislation to Begin in the Nineties: A Summary of the Rural Provisions in the Cranston/Gonzalez Affordable Housing Act, PL 101-625. (Washington D.C.: December, 1990) p. 1.

replaced with the Comprehensive Housing Affordability Strategy (CHAS).[3] This is a five-year action-oriented plan that serves as a working guide for the communities use of federal and other housing resources. This strategy is important because it is a prerequisite for receipt of HUD assistance by state or local governments commencing in Fiscal year 1992.[4]

In preparing the CHAS for submission to the U.S. Department of Housing and Urban Development (HUD) states and localities are required to solicit the views and comments of citizens through a participatory planning process. Given this requirement, UNAC should immediately begin tapping their proven organizing skills so that they can have their concerns and comments, and legitimacy as a non-profit, incorporated into the housing strategy.[5]

Toward this effort, there are a couple of issues which UNAC must address to produce a more responsive local housing strategy. First, a description of the private and non-profit organizations and public institutions that will help implement the community's housing strategy is required. It is important for UNAC to be included as one of these organizations so that the concerns and housing conditions of their members can be

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[3]Housing Assistance Council." HUD Publishes Interim Rule for Comprehensive Housing Affordability Strategies". HAC News. February 20, 1991, Vol. 20, No. 3, p. 1.

[4]National Housing Law Project. "State and Local Housing Strategies (Title I) and the HOME Program (Title II)". Housing Law Bulletin. Vol. 21, January/February 1991. p. 2.

[5]Housing & Development Reporter, December 10, 1990 p. 669

adequately addressed in the CHAS.- Including UNAC under this description is also important given that present federal support for housing, and probably future housing support, will be allocated through the housing strategy plan. Second, a description of the resources that are to be used for the matching requirements under HOME and how they will be leveraged is required. Since the definitions concerning acceptable matches are still in fluid, UNAC should quickly and strongly advocate that its HTF money be viewed as an acceptable matching source. This will allow UNAC to better leverage its resources with the end result of providing more housing opportunities for its membership.

UNAC should communicate early with key housing players who are structuring the housing strategy so that they may have their concerns reflected in the CHAS. Specifically, UNAC should find out which administrative agency and people will be developing the plan. Moreover, UNAC should locate some housing experts, who are not only sympathetic to their needs but to the needs of a low-income population, who will assist in reviewing the CHAS. These experts might be employees of the local government, academics or individuals involved in housing and economic development consulting. Recognizing the low-income nature of members will create legislation that is more reflective and responsive to UNAC's needs, with the

ultimate result of providing members with more housing opportunities.[6]

In addition to the CHAS requirement, the objective of HOME is to expand the supply of affordable housing, especially rental housing, to very low- and low-income persons while expanding the capacity of non-profit community housing development organizations (CHDO) to primarily rehabilitate and build such housing. The cultivation and nurturing of this development capacity is primarily achieved by having CHDOs serve as the predominant builders and recipients of local and state block grant funds with the benefit to UNAC being that these units will come to the market at a faster rate with prices substantially below market.

The new reliance on non-profit organizations is not the only virtue of the HOME program, rather the income targeting requirements complement the economic characteristics of the union members as laid out in the UNAC housing program and the Local 26 housing needs assessment study. Specifically, at least, 90 percent of the rental assistance funds must be invested in housing initially occupied by families with incomes below 60 percent of the area median income (AMI). The remaining 10 percent is open to people with incomes at 80 percent of the AMI. Both of these requirements serve to

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[6]This is particularly timely since the public commenting period is open until June, 1991.

benefit UNAC members, many of whom have incomes that lie below 50 and 80 percent of the Boston AMI.

Rents also fall within limits that complement UNAC members' financial conditions. According to Section 215, rents cannot exceed the lesser of the existing Section 8 fair market rents for comparable units in the area or 30 percent of the adjusted income for a family with an income at 65 percent of the AMI. Additionally, at least 20 percent of any units in a development must be occupied by very low-income households (below 50 percent AMI) who either pay no more than 30 percent of their incomes for rent or whose gross rents do not exceed 30 percent of the 50 percent of median threshold.

As with rental units, homeownership units have income and sales price ceilings that not only suit members' financial conditions, but parallel UNAC's housing program requirements. Specifically, homebuying opportunities are only open to people who have incomes below 80 percent of the AMI, are first-time homebuyers and are purchasing a unit where the initial price does not exceed 95 percent of the median purchase price for the area (adjusted for structure and age of housing).

Option 1

Beyond simply scaling down rents and home prices and targeting them to low-income people, HOME provides for tenant-based rental assistance for those individuals who need it.

This form of assistance, which is an addition beyond Section 8 vouchers, is only provided if it is included as "an essential element of the jurisdiction's annual housing strategy", substantiated through the local housing market conditions. The City of Boston's ability to validate such market conditions should not be difficult to make given its recognized dearth of affordable rental units under the most recent Federal Register HOME regulations.[7] However, UNAC should not simply rely on the city to make this case. Rather, they should join with housing activists at all levels (i.e. religious based groups, CHDOs, senior citizen organizations etc.) to form a broad-based coalition that will push to have the severity of the rental housing condition reflected in the city's housing strategy. That is, all groups should advocate that rental assistance be provided in tandem with affordable rental housing production because assistance is useless if no affordable units exist.

To fully realize such an opportunity, UNAC must continue to encourage its income-eligible members to be included on the Section 8 waiting list since only these individuals are eligible for the additional tenant-based rental assistance. Once UNAC members have done this, they are then eligible to receive two-year renewable rental assistance contracts. This assistance could substantially alleviate rents and rent

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[7]Federal Register, Vol 56, No. 53, March 19, 1991, p. 11595.

burdens on private units for the very low-income if it is combined and coordinated the UNAC rental guarantee. For instance, if a two person household with no savings has an income of $16,000, they can only afford to pay $400 a month for rent given the 30 percent of income guideline applied under Section 8. If the unit rents for $625 a month, the household is not only short $225 on rent per month, it is also short $1,875 for the move-in cost.[8] However, a housing opportunity could be created with the tenant-based rental assistance covering the $225 monthly deficit and the UNAC rental guarantee securing the $1,875 move-in cost. UNAC's past adeptness at negotiating the section 8 program will prove useful here and could ultimately provide members with more housing opportunities.

Option 2

A more ambitious and innovative, yet albeit less certain, opportunity under HOME would be to offer financial assistance through the HTF or union pension funds.[9] Such assistance could come in the form of a construction loan or contingency reserve and be coupled with cash advances, loans, equity

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[8]The move-in cost total $1,875 assuming that it requires two months rent plus a security deposit equal to one months rent.

[9]Any investment of union pension funds must provide a market rate of return with minimum risk which is difficult to meet when investing in affordable housing.

investments and interest subsidies provided by HOME. In return for their financial commitment, UNAC could seek a set number of units reserved for its members at below market rents.

If such an option proves unacceptable to the developer of the housing, UNAC could seek to buy a set number of units, under contract, prior to completion of construction or when units have just come on line. Such an arrangement is enticing to developers because it decreases the risk of not selling the units which is a real concern in a declining real estate market like Boston. In exchange for this pre-construction lease-up, UNAC would seek a reduced purchase price for its membership.

Although such an option seems "quick and easy", it is not. First few UNAC members that are low-income have the financial means to purchase a home. For those that do, such an option could provide housing. For those that are not so fortunate, but are close to buying, their financial condition and chances of purchasing could be augmented through interest rate buydowns, downpayment assistance and non-conforming loans. For any other members, particularly the very low-income, with no downpayment or bad credit histories, such an option would prove ineffective.

Option 3

Another housing opportunity occurs through the matching requirements mandated by HOME. To receive the HOME block grant funds, the participating jurisdiction must contribute some of its own financial resources, with the amount of the matching requirement dependent on the type of housing assisted. In each fiscal year, a jurisdiction must contribute $1 for ever $3 used for substantial rehabilitation, and $1 for every $2 used for new construction, illustrating the de-emphasis on supply-side housing policy.

The types of acceptable matching contributions can take many forms. Among other things, they can come from the value of waived or deferred taxes and fees or from the value of land and other real property used to achieve affordability of HOME-assisted housing.

For UNAC, the most seemingly inviting match comes from "cash contributions from non-federal" public or private resources.[10] This match is important to UNAC because any money they provide will be viewed as a private contribution. Thus, according to Jeannie Fewell, a senior member of the Florida housing consulting firm of Reynolds, Smith & Hills who have worked extensively on HOME and CHAS, if UNAC were to

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[10]To be a cash contribution, the funds must be permanently contributed to the HOME program. That is, all repayments of principal and interest or other return of investment on matching funds goes to the HOME program to be used for additional activities. This money is not repaid.

contribute money from the HTF or union pension funds to a jurisdiction, it could realize up to a 4 to 1 match. However, "funds that are loaned to a project may qualify as a matching contribution... only if all repayments of principal and interest are deposited in the participating jurisdiction's HOME Investment Trust Account (which is where all the HOME funds are held) to be used in accordance with the requirements of the HOME program."[11] This effectively ties up UNAC's money, which cannot be recouped, while providing them no assurance that the matching money will directly benefit them. UNAC only recourse would be to strike a deal with the local jurisdiction or a CHDO rehabilitating or developing the site that would allow them to get a set-aside at a reduced price in return for their financial contribution.[12]

Option 4

Another HOME program component that provides UNAC with housing opportunities for its members occurs under the Subtitle B, Community Housing Partnership (CHP). Under this program, Secretary Kemp's reliance on CHDOs is bolstered by having at least 15 percent of each participating

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[11]Federal Register, Vol. 56, No. 53, March 19, 1991, p. 11598.

[12]According to officials at HUD, no strings can be attached to private contributions as of yet. However, they did say this might change once the public review process is completed.

jurisdiction's HOME funds earmarked for 18 months for investment in affordable housing to be developed, sponsored or owned by CHDOs. Essentially, up to 10 percent of the mandatory 15 percent set-aside of HOME funds are specifically directed at technical assistance and site control loans, with other acceptable funding including feasibility studies, seed money loans and various legal, architectural and consulting fees.

The CHP also makes HOME funds available for organizational support and housing education grants to "non-profit intermediary organizations" that customarily provide, in more than one community, services related to the provision of housing affordable to people of low- and moderate-incomes. The intermediary must also have experience in providing technical assistance to community-based developers of affordable housing. Specifically, the organizational assistance may be used to cover such things as operational expenses, legal and engineering assistance and training of CHDO staff. Educational assistance may be used "to cover expenses to educate, counsel or organize homeowners and tenants who are eligible to receive assistance through HOME activities."[13]

The opportunities available to UNAC under CHP are not clear. Although the main thrust of UNAC's housing program is

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[13]Cranston-Gonzalez National Affordable Housing Act, Section 233, Housing Education and Organizational Support. November 28, 1991.

to provide educational homebuying-services to people in communities throughout Boston, thus meeting some of the CHP regulations, UNAC is not likely to qualify as an intermediary given their lack of experience in providing technical assistance to CHDOs. In fact, according to Marsha Stilts at HUD, who has been involved in drafting of the HOME regulations, "intermediaries are groups that provide financial consulting services to many communities and CHDOs...such as Community Builders in Boston."[14]

UNAC would also have a difficult time directly accessing the educational assistance funds given that this money is strictly for CHDOs. However, since many CHDOs do not provide homebuying consulting services it may be worthwhile for UNAC to contract its homebuyer educational services to CHDOs in the area. In return for this service, UNAC could seek a reduced price on units or union members or a designated number of units set-aside for its membership. Although this sounds very inviting, UNAC's uncertain relationship with local CHDOs, especially given Local 26's political backing of a highly flammable measure to prevent tax hikes, could cut any such UNAC-CHDO partnership.

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[14]Community Builders is a non-profit technical assistance firm that provides financial consulting services to many CHDOs throughout Boston.

Option 5

The REACH asset-recycling program offers greater assistance than CHP through a more structured program. Although it does not offer the most attractive housing (most are public housing sites), it does provide participating jurisdictions with information about properties owned or controlled by HUD in which HOME funds can be used for their purchase, rehabilitation or development. Specifically, properties must be vacant 1-4 family dwellings appraised at less than 95 percent of the area median purchase price.

HUD has begun taking great strides to sell off these units with Secretary Kemp boasting that this program will help in realizing "his goal of assisting 1 million new low-income homeowners and first-time homebuyers by 1992."[15] UNAC members could greatly benefit from this selling policy by either purchasing these below-market priced projects in partnership with a CHDO, by helping UNAC members purchase units on their own with HTF-assisted downpayment, interest subsidy or non-conforming loan assistance or by providing homebuying counseling services that will help members quickly locate favorable projects and lenders so that they may "beat" other potential buyers to the purchasing punch. However, it is important to note that purchasing a project with a CHDO might

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[15]Housing Affairs Letter, (Silver Spring, MD: CD Publications No. 90-46 November 16, 1990) p. 1.

provide UNAC with the best sales terms in the area given the federal commitment to expanding the development capacity of CHDOs.

The main obstacle in realizing such an opportunity under REACH does not stem from any government obstacles. Rather, it is the preference of UNAC members, to own detached, single family homes that diminishes this window of opportunity. UNAC members cannot be faulted for such a preference, especially in a country where homeownership conjures up images of a detached home on a single plot of land, and not a cooperative housing development or condominium that shares adjoining walls. Yet, UNAC must attempt to debunk this unrealistic ideal. This is not to say that UNAC should not promote the traditional American dream of homeownership, but, it should balance this with educating members about the virtues of other forms of homeownership, especially for the very low-income members who might never be able to amass the large downpayment and monthly debt service that is necessary to purchase a traditional home.[16]

Option 6

UNAC can promote both traditional and non-traditional forms of homeownership through the Subtitle D, Specified

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[16]According to UNAC staff member Carol Ridge only two people have purchased shares in a cooperative in the last 3 months.

Models Program. Under these model programs, HUD will make repayable advances to public, private and non-profit organizations and individuals interested in constructing, acquiring or substantially rehabilitating affordable rental housing, limited equity cooperatives, mutual housing and single- and multi-family residences. Although there are several programs offered under this subtitle, only two offer UNAC members direct housing assistance and opportunities.

The Rehabilitation Loan Program provides direct loans to people with incomes below 80 percent of the AMI to finance the rehabilitation of their single-family and multi-family residential properties. Although the exact terms of the loan have yet to be determined, HUD has indicated that it will provide them at a few points below market while targeting them to people who live in areas that contain a substantial number of dwellings in need of rehabilitation. Such targeting requirements favor UNAC members given their frequent residence in economically depressed areas. Moreover, such a program can reach lower-income members and make housing rehabilitation more affordable if provided in tandem with the HTF interest loan buydown and rehabilitation program.

First, the UNAC rehabilitation loan program is targeted to the same economically distressed areas and income range (below 80 percent of the AMI) where residences need at least $3,000 in renovations. Thus, the member by qualifying for one program would by default qualify for the other. Since these

loans are provided at a low interest rate, the member could save a substantial sum of money on rehabilitation while creating a housing opportunity. Second, the UNAC interest subsidy could be used to write down the interest on the federal rehabilitation loan further making monthly debt service payments smaller and qualifying for such loans easier.

The HUD-sponsored Second Mortgage Assistance Program also provides members with attractive financing. Under this program, local governments will provide 5 year deferred-payment second mortgages for first-time homebuyers that cover 30 percent of the purchase price at an interest rate of 4 percent. These terms provide affordable financing that can be further written down with HTF monies. This is important because these additional HTF funds can act as the "deep subsidies" that are necessary to make such financing available to the very low-income.

Option 7

The last opportunity for UNAC under HOME is delineated under the Subtitle C, "Other Support for State and Local Housing Strategies". Through this policy, HUD is to undertake a variety of activities to assist state and local agencies, for-profit and non-profit entities in identifying and meeting affordable housing needs. One such activity it provides funding for is "the establishment and efficient operation of

employer-assisted housing programs through research, technical assistance and demonstration projects."[17]

Providing employer-assisted housing is neither novel or untried. However, the creation of a partnership between employees and employers has often meet with ambivalence and little action on behalf of government.[18] The federal government wants to change this past by supporting employer involvement in housing with the benefit that such an effort brings new financial resources and lending sophistication to the housing finance marketplace at little public cost.

UNAC can take advantage of this new federal stance by actively promoting the proposed low-income employer assistance provided through its employer-assisted HTF. That is, UNAC must focus on the low-income nature of its membership given that the Subtitle C program is directed toward meeting affordable housing needs of low-income people. By doing this, UNAC will improve its chance of being selected as a funding recipient.

Although no exact funding commitment has been made to support such activities, UNAC should not be dissuaded from pursuing and pushing for some type of assistance for promoting their employer-assisted HTF. Whether or not this will prove fruitful depends on HUD's commitment to carrying out their

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[17]United States Congress. "Section 241 (5)". Congressional Record. October 22, 1990. p. H11530.

[18]David Schwartz. A New Housing Policy for America. (Temple University Press, Philadelphia, PA, 1988) p. 104.

stated objective and UNAC's ability to adequately publicize their partnership between management and employee.

Table 1
Review of Housing Opportunities under HOME

OPTION	BENEFIT
Option 1	Tenant-based rental assistance provided as an addition to section 8; to qualify must be on section 8 waiting list; can be combined with rental guarantee to make it available to very low-income.
Option 2	Provide financial assistance to developer through HTF, union pension funds or pre-construction lease-up on HOME-assisted units in exchange for a set-aside at below market prices.
Option 3	Provide HTF monies as non-federal matching source with a 4:1 match and seek set-aside in return.
Option 4	UNAC contract out homebuying counseling services and in return seek a set-aside at reduced prices or just a set-aside.
Option 5	Assist CHDO and members in purchasing REACH projects; in return UNAC seeks set-aside from CHDO.
Option 6	Below market loan and 5 year deferred second mortgages by HUD made more affordable if coupled with HTF buydown and rehabilitation assistance.
Option 7	Federal financial assistance provided for the promotion of employer-assisted housing programs of which HTF is one.

Summary

Overall, HOME offers UNAC some attractive housing assistance opportunities. The program, with its income targeting and CHDO focus, provides rents and home prices that fall in line with the economic means of many UNAC members. However, these benefits are not specific to UNAC, but to all low-income people. In an attempt to secure some of these benefits UNAC can seek set-asides in return for their financial and professional experience and assistance, yet, the fruitfulness of such an endeavor is not clear given legal an

programmatic constraints which will be elaborated upon in chapter 5. This is not to say that HOME does not provide housing opportunities for UNAC. On the contrary, by using HTF monies, the attractive financing to UNAC members can be made even more affordable.

Home Opportunity for People Everywhere (HOPE) Programs

The other major component of the 1990 National Affordable Housing Act is the Title IV HOPE programs. The main thrust of these three programs (HOPE I, II & III) is to facilitate the sale of public or other government subsidized housing to non-profit organizations for subsequent sale to low-income people who may not be current residents of the housing being sold. HUD plans to support this process by supplying planning and implementation grants used toward the promotion and implementation of homeownership programs.

Planning grants, which cannot total more than $200,000, support both the implementation of homeownership programs and projects by providing funding for the development of tenant ownership programs, preliminary site work and homeownership counseling. Planning grants are made available to non-profit organizations, cooperative associations, resident management corporations (RMC) and resident councils (RC) with approval for funding based on a national competition which looks to the development capacity of the organization, the suitability of

the project for homeownership, and the extent of the tenant interest in the program.

Implementation grants also provide support for the acquisition or rehabilitation of the project, operating and replacement reserves, relocation costs and other transaction costs. To qualify for this grant, the developer or sponsor of the project must at least provide a non-federal match on these funds of 25 or 33 percent depending on the type of development. Once this threshold is satisfied, the national selection process ensues, much the same as with planning grants, in which applicants are selected based on their development capacity, feasibility and affordability of their project, whether the project falls in line with the priorities outlined in the CHAS and the amount of non-federal funds contributed from other sources. Beyond this meager financing, which totals more than $250,000 for both grants, FHA-insured loans and conventional mortgages are available.

Surprisingly, once this is completed, present resale restriction do not guarantee permanent affordability of units. If units are transferred within 6 years the homeowner will receive their equity contribution, value of any improvements made during their tenure and an inflation adjustment on their equity. However, between 6 and 20 years, the statute only provides for the recapture of an amount equal to the remaining balance an the promissory note and beyond 20 years no recapture. Such a policy is directly contrary to UNAC's

resale guideline, thus UNAC must again become involved in the public review process of HOPE and to extend the affordability.

HOPE 1

The first component of the HOPE program, dubbed HOPE I, provides funds to facilitate sales of public housing to RMCs, RCs and cooperative associations, who in turn, sell ownership interest or shares in the developments to eligible households. To promote this program HUD only requires a 25 percent match on non-federal sources for implementation grants. Under all projects and programs (HOPE I, II, III) existing tenants are given purchase preference, with the change to ownership having to be agreed upon by at least half the existing tenants. Those tenants who are either unwilling or not qualified to purchase are given other public housing located elsewhere or a Section 8 voucher with relocation cost paid. To ensure that units go to low-income people, purchase of units are only open to families who have incomes below 80 percent of the AMI, with purchases not permitted to those families whose monthly housing costs would exceed 30 percent of their monthly income.

Although the required match is small and the proposed allocation to HOPE I is large, this program seems to provide little opportunity for UNAC. First, as was noted in chapter 2, very few UNAC members live in public housing. This substantially diminishes housing opportunities if every tenant

in the public housing project plans to purchase their units. However, this will not likely be the case. Instead, there will be units open for purchase to families who meet the income guidelines. But, even if units are open for purchase, most UNAC members would be reluctant to move into cooperative housing, not even to mention what was formerly public housing.

If the above two hurdles can be cleared, then this program might supply UNAC members with some homeownership opportunities. To realize such benefits, UNAC staff might try directing members to HOPE cooperatives while emphasizing the affordability of such units, especially when coupled with the mortgage buydown supplied by the HTF. Additionally, UNAC might take advantage of HUD's extreme willingness to sell these units, given past failure to do so, by encouraging members who want to own, but have poor credit histories, to buy such units. HUD may be willing to accept this arrangement if UNAC reduces the risk on such loans through the mortgage insurance applied under the non-conforming loan program. All told however, the program's ability to provide ownership opportunities will largely depend on members willingness to move into cooperative housing and not HUD's acceptance of risky members.

HOPE II

HOPE II better complements the housing opportunities that most UNAC members desire. Properties that may be purchased under this program include those of five or more units that are (1) owned, financed or insured by HUD and are determined by HUD to have serious financial or physical problems, or (2) are owned or held by the Secretary of Agriculture, the Resolution Trust Corporation (RTC) or a state or local government.

The extent of the benefits this program has to offer UNAC members is not clear. What is clear is that any benefits derived by UNAC under HOPE II will only come through their own initiative. Since both of the grant selection criteria put a premium on the development capacity of the non-profit, cooperative association or other sponsor managing the project, UNAC must actively seek out such organizations and inform them about how their HTF, pension funds and homebuyer counseling services can improve the development capacity of the organization thereby their probability of being selected for grant funding.

In return for financial assistance and increased development capacity UNAC could seek a set-aside of units available to members at either market or below-market prices depending on whether UNAC financial assistance is repaid. If UNAC provides homebuyer counseling services it could seek one of three things: (1) it could essentially contract its homebuyer counseling services to the sponsoring organization

in return for a set-aside of units; (2) seek a percentage of the planning grant funds in payment of their homebuyer counseling services, and give this money to members to augment their financial capacity or (3) in exchange for this service, seek in the form of a moderate reduction in home purchase prices.

RTC-eligible properties, which came about because of the Savings and Loan bailout, may also offer UNAC some affordable homebuying opportunities on condominium and other properties under HOPE II. Although the disposition of properties through RTC has been slow, the average income of buyers who have purchased properties through their Affordable Housing Program (AHP) has been below 75 percent of the AMI.[19]

Much of AHP has been geared toward providing affordable housing opportunities through non-profit organizations. This could prove a considerable boon to UNAC members if UNAC provides financial or home counseling services, as above, in exchange for a set-aside to UNAC members. That is, many of the low-income buyers will need homebuying counseling services, and given that UNAC is quite experienced in this area, it could offer its services to all persons buying into the development in exchange for a set-aside to its members. Once this is secured, financing the purchase of a unit could be facilitated through the HTF mortgage buydown, non-conforming loan and downpayment assistance program.

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[19]Housing and Development Reporter, May 28, 1990 p. 10.

This is a real opportunity for UNAC given that the RTC is getting ready to step up its efforts to place projects on the selling blocks through the AHP. By making early connections with non-profits and other sponsors interested in purchasing the projects, UNAC can position itself to fully realize the benefits of the AHP program.

HOPE III

HOPE III is probably the most attractive HOPE program for UNAC members in that it disposes of single-family properties, which are what UNAC members want, owned or held by HUD, VA, RTC, FmHA or a state or local government. Receipt of grants are again based on a national competition applying the same selection criteria as under HOPE II. Thus, UNAC could go into partnership with a CHDO or other non-profit and improve its probability of being selected for funding by improving the development capacity of the CHDO as laid out in HOPE II.

Here again, UNAC could pursue two courses. First, UNAC could request a set-aside of units in return for its homebuyer counseling services or monetary payment for such services that could then be used to provide additional financial resources to UNAC members. Second, UNAC could also request a set-aside of units at below-market or market prices based on a combination of the size of the financial commitment and whether advances are repayable. In instances where minimal

financial assistance is required a straight set-aside may suffice. However, where large assistance is supplied, UNAC would seek significant price reductions on units. Lastly, UNAC could again locate opportunities through RTC's AHP program as under HOPE II.

The income requirements, which are the same as other HOPE programs, essentially reserves these units for low-income homebuyers. Unfortunately, such opportunities will not be available to very low-income members since no more than 30 percent of monthly income can be spent on housing. However, UNAC could attempt to cure this for some of its low-income members by supplying buydown or downpayment assistance through the HTF which will decease monthly housing costs payments.

UNAC could also make these housing opportunities under HOPE I, II and III more tangible for their membership by assisting them in locating projects where other non-profits are engaged in such work without UNAC assistance. Additionally, much of the homebuying process under any of the HOME programs could be facilitated and expedited through UNAC homebuying counseling and HTF financial assistance.

National Homeownership Trust

Another attribute of both the HOME and HOPE programs that facilitates the homebuying process is the Title III, National Homeownership Trust. This program provides very attractive financing that can be made even more attractive when coupled with the HTF housing assistance. Specifically, the Trust, which is operated by HUD, assist first-time homebuyers with incomes below 95 percent of the AMI (115 in high cost areas) to purchase FHA-insured homes or shares in limited equity cooperatives. This assistance can be used to reduce the purchaser's payable interest to 6 percent or less as well as to provide assistance on downpayment and closing costs, provided the buyer puts at least 1 percent down for the downpayment.

The mortgage terms are attractive as well. For loans on homes that are less than $50,000 the loan to value ratio (LTV) is 98.7 percent excluding the up front premium. For loans over $50,000 the LTV is 97.75 percent, again excluding the up-front premium. The basic limit on mortgages is $67,000, but in high-cost areas the limit jumps to $124,875; well within the price range of what many UNAC members are looking for. For mortgages executed in fiscal 1992, there will be an up-front premium of 3.8 percent plus an annual premium of 0.5 percent for five years for mortgages with LTVs less than 90 percent, eight years for mortgages with LTVs of at least 90 percent but less than 95 percent, and 10 years for mortgages exceeding 95 percent of value.

Such attractive financing could be provided in concert with the buydown and downpayment assistance offered through the HTF thus making such an arrangement more affordable to UNAC members. For example, the buydown could be used to reduce the interest rate 300 basis points in the first two years, 200 basis points in year 3 and 4 and 75 basis pints for the next two years. Similarly, the HTF downpayment assistance could be used to cover the requisite 1 percent downpayment.

Issues to be Resolved

If UNAC is to glean any housing benefits from programs provided under HOME or HOPE, it must resolve a few key issues. First, UNAC must attempt to change members' negative view of cooperative housing if they are to benefit from Option 5 and HOPE I. Movement in this direction can be made by highlighting the affordability of such developments and the virtues of owning as opposed to renting. Second, UNAC must establish a dialogue with Boston-area CHDOs and other housing developers concerning the complementary benefits of an exchange between HTF financial and homebuying counseling services and housing developer set-asides. Such an endeavor is acutely important and problematic given that set-asides are one of the only methods by which to access federal assistance and yet normally prohibited in instances where public funds are used in a development. Lastly, UNAC must determine

whether it can use its HTF monies to provide financial assistance to developers of housing. That is, UNAC must determine whether U.S. labor law permits the lending of union trust money in a manner that benefits an outside party (i.e. developer) while providing assistance to members.

Conclusion: A Strategy

HOME and HOPE, at first glance, appear to provide many housing opportunities to UNAC members. However, the reality is that this is not true. In fact, if UNAC is to benefit from the legislation it must focus its energies, while participating in the public review process, on HOME options 5 and 6 and HOPE III because these are the only programs that provide any tangible benefits to UNAC members.

Option 5, which has the strong political backing of HUD's Secretary Kemp, concerns the dissemination of information on affordable, often times substandard and vacant, 1-4 family units appraised at less that 95 percent of the area median purchase price. Specifically, in instances where projects are multi-family developments, UNAC must act quickly in locating such properties and move immediately, if possible, with a CHDO in securing development rights.

To secure access to units (set-asides), UNAC should offer CHDOs financial assistance to develop the project while vigorously extolling the financial and social benefits of such

a partnership. Similarly, UNAC should highlight the racial diversity of its membership to help the CHDO promote an affirmative marketing plan while explaining to them that legal statues prohibiting set-asides with use of public funds can be overcome with political agitation. If the CHDO does not welcome such a partnership, UNAC, upon learning of a housing development, should help members negotiate the purchase of a unit. Under either effort, UNAC can facilitate purchase through HTF downpayment, interest buydown and rehabilitation loan assistance. Since many of these units are not single-family, detached homes, UNAC must also actively promote non-traditional forms of homeownership.

Having secured a low-cost property through option 5, UNAC should then look to improve and rehabilitate the development through option 6 while capitalizing on the recent member trend of purchasing "fixer-uppers". The beauty of option 6 is that public policy and the UNAC housing program are moving in the same direction. That is, the UNAC and federal government rehabilitation loan programs are targeted to both properties located in identical geographical areas and to people within the same income range (below 80% AMI). Thus, by complying with one program, the member automatically qualifies for the other.

Under such an arrangement, UNAC can "piggyback" the UNAC and federal rehabilitation loan monies thereby providing a larger pool of money. Such an opportunity has three benefits.

First, less desirable units can be redeveloped given that members have deeper pockets. Second, deep subsidies can be provided to low-income members to create a housing opportunity. And third, UNAC can take advantage of and promote the recent membership movement to purchase more affordable single-family "fixer-uppers". Couple this with the UNAC interest subsidies on federal rehabilitation loans and such an effort could potentially reach very low-income members.

The last option which provides real homeownership opportunities is HOPE III. The main attractiveness of this program is that it targets the disposition of single-family residences to people with incomes at or below 80 percent of the AMI with financing provided through the Homeownership Trust. Since the Bush Administration has been touting HOPE as a remedy to the "cycle of poverty", HOPE III will likely receive considerable financial backing when appropriations are made.[20]

Given this situation, UNAC should, as noted above, open a dialogue with CHDOs emphasizing the virtues of their homebuying counseling services and financial resources since CHDOs will be the dominant recipients of such housing. UNAC should likewise take pains to note how their financial and counseling services, by increasing development capacity, can

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[20]United States Department of Housing and Urban Development. HOPE. (Washington D.C.: Office of Policy Development and Research, November 1989) p. 1.

be the key to securing planning and implementation grants. In doing this, UNAC will be in a better position to request set-asides, the purchase of which can ultimately be made more affordable with HTF mortgage interest buydown, downpayment and rehabilitation loan assistance.

Chapter 4
Leveraging HTF Monies with State & Local Supply-Side Housing Programs

This chapter is similar to the previous in that it paves a road for the weary traveler in identifying HTF leveraging opportunities. Specifically, the programs are local and state, affordable housing supply-side approaches that complement UNAC's demand-side housing policies . These programs include the following: the Boston Soft Second Program; Community Investment Coalition Soft Second Program; Mortgage Certificate Program; Acquisition Set-Aside Program and the Neighborhood Rehabilitation Program. A description of each program is provided followed by the role UNAC can play, especially with regard to supplemental financing provided by the HTF, in creating housing opportunities for members.

Introduction

The housing system in Massachusetts is made up of many parts and people at all levels of government. Unfortunately, there is no central location to seek assistance. This decentralization coupled with the fact that there are not enough housing resources to accommodate everyone's housing needs, makes securing assistance frustrating. Thus, UNAC must understand the ecology of housing subsidy programs so that

they can educate their membership and secure housing assistance opportunities for their membership.

Boston Soft-Second Program

One such affordable housing opportunity is the Boston Soft Second Mortgage Program (BSS). Under this public-private initiative, sponsored by the City of Boston and the Massachusetts Housing Partnership, affordable housing opportunities are expanded for low- and moderate-income residents of Boston who earn below 80 percent of the AMI (see Table 1). In an attempt to provide homeownership opportunities to lower-income people BSS gives priority to those participants who are below 70 percent of the AMI (see Table 1), minority, handicapped or Vietnam-era veterans, and are seeking to purchase a unit at a sales price (acquisition cost) allowed under the program.[1]

[1]The maximum price for a condominium is $110,000. Maximum price for a single family home and a two family home are $125,000 and $145,000 respectively.

Table 1
Standard Income Limits (80% of median income)

Household Size	Income
1-4	$35,000
5	$37,900
6	$40,100
7	$42,400
8	$43,000

Standard Income Limits (70% of median income)

Household Size	Income
1-4	$31,238
5	$33,163
6	$35,088
7	$37,100
8	$37,625

Source: Executive Office of Communities and Development

Beyond the targeting requirements, the BSS program helps first-time homebuyers qualify for a mortgage. In trying to buy a home, a bank determines whether a person is qualified based on the total amount to be mortgaged, the amount of monthly payments, and the person's income. If the total mortgage amount is high, monthly payments will be high, and a person earning less than $35,700 annually may have trouble qualifying for a loan under industry underwriting standards. However, with a lower mortgage amount monthly debt service payments will decrease thereby increasing the likelihood of qualifying for a mortgage.

The BSS program addresses the smaller mortgage amount issue by breaking the total mortgage amount into a first and second mortgage. Lenders then qualify people based primarily

on the first mortgage amount, which is now less, and a portion of the interest on the second mortgage. Also, the cost burden is reduced through a publicly subsidized mortgage insurance program and a 5 percent downpayment.

The BSS program helps buyers by limiting their debt in the early years of homeownership. Specifically, the buyer's first mortgage is at a fixed, below market interest rate and is fully amortizing with the second mortgage having the same interest rate. However, to alleviate the buyer's financial burden during the early years of ownership, the second mortgage, through year 10 (on a 30 year mortgage) is non-amortizing with public subsidies covering most of the interest payment in early years (years 1-5). Thereafter the interest rate increases less than 3 percent a year. In year 11, the arrangement changes with the buyer making monthly payments on principal and interest for the second mortgage with principal payments gradually prorated over the remaining 20 years.[2] These cost savings ease the financial burden and ultimately assist the borrower in qualifying for a home mortgage.

Opportunities for UNAC Under BSS

UNAC has begun to use BSS with much success. In fact, a preponderance of UNAC housing education assistance has gone

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[2]Executive Office of Communities and Development, The Boston Soft Second Loan Program, (Boston, MA: EOCD, November 19, 1990).

toward helping members negotiate every aspect of the program from the application and subsidy reservation to locating a unit and obtaining a mortgage commitment from the lender. Yet, according to UNAC staff this assistance largely goes to moderate-income members while providing insufficient subsidies to lower-income members. This is not to say that lower-income members have not benefitted from the program; they have, but UNAC staff are concerned that more could be done for those who are below the program income thresholds.

UNAC's feelings and concerns are correct. Much more can be done for lower-income members under the BSS program to realize affordable homeownership. One key to providing such opportunities is the supplemental financial assistance available under the HTF.

Through the HTF interest subsidy program, the present interest rate, which normally hovers around 5.5 percent, could be written down further in the initial years for low-income first-time homebuyers.[3] Investing the HTF buydown monies in such a manner will reduce the monthly debt service payment thereby alleviating much of the cost burden in early years which is important to low-income members.

This assistance is not a magical panacea that will simply reduce the interest rate and thereby allow all members to purchase a home. First, to bring mortgages into a range that

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[3]Mortgage interest rate is at 8.25% with a subsidy loan provided by the Massachusetts Housing Partnership bringing the interest rate down ever further to 5.5%,

are affordable to people with the lowest-incomes requires deep subsidies beyond the maximum buydown of $7,500. Second, the buydown is not a grant, it is a loan. Thus, in addition to paying monthly mortgage payments, the member must also repay their HTF loan. This could prove financially burdensome and reduce lower-income residents ability to either repay or qualify for the mortgage. UNAC has realized this and tentatively suggested that the buydown funds be recaptured from sales proceeds after the member recoups his or her initial investment, but before they receive the proscribed limited appreciation. If UNAC holds to this policy, the buydown may prove beneficial.

Although the buydown provides potential benefits, the HTF downpayment assistance cannot replicate this to the same extent. As it stands the BSS program requires a 5 percent downpayment, which must come directly from the buyer. The exception is that gift letters from family members can be used toward the downpayment as long as the borrower puts in at least half the downpayment using their own cash (i.e. 2.5%).

This stipulation nullifies any use of HTF downpayment assistance if the buyer cannot produce a downpayment of 2.5 percent. However, if the buyer provides a downpayment in excess of 2.5 percent the HTF downpayment funds could be used to increase the downpayment and thereby lower the mortgage amount and thus monthly debt payments.

The opportunities available under the non-conforming loan program are not as clear as those under the downpayment assistance program. As mentioned in chapter 2, by insuring 20 percent of the mortgage the non-conforming loan program allows members, whose financial conditions do not conform to standard underwriting criteria, to qualify for a mortgage.

This does not fit well with the BSS program because the underwriting criteria are already far more liberal than conventional underwriting standards. Moreover, the fruitfulness of such an endeavor is principally dependent on the lender's discretion concerning how well the applicant satisfies the underwriting criteria. Thus, providing non-conforming loan assistance does not ensure receipt of a mortgage nor does it necessarily override or ease underwriting criteria.

The other concern under the non-conforming loan program is whether members can accommodate the monthly risk premium payment. As presently structured, the rate will be approximately .24 percent of the monthly principle and interest payment which translates into roughly $30 or $50 a month depending on the rate and the loan amount. This may prove difficult to meet given that these particular members' financial means are already somewhat stretched by the mortgage payment alone. If this payment could be deferred till sale or delayed for the first 5 or 10 years of the mortgage, then the

financial strains on the buyer might be reduced and homeownership opportunities provided for more members.

Community Investment Coalition Soft-Second Program (CIC)

The CIC program, which is similar to BSS, was developed through the efforts of the neighborhood-based, Massachusetts Affordable Housing Alliance (MAHA) that formed after studies had shown a pattern of racial discrimination in mortgage lending by many Boston Banks.[4] After receiving a $2 million commitment from the state to cure such ills, MAHA leveraged further commitments from Bay Bank, Bank of Boston and Shawmut Bank totaling $15 million.[5] The program in concept and structure is very similar to the BSS program with a few detractions and added perks.

The money in this program is slated to provide fixed-rate mortgages at a 6.5 percent interest rate to homebuyers with incomes ranging from $15,000 to $43,000.[6] Specifically, buyers pay an interest rate of 6.5 percent for the first five years. Then, for the following five years, the monthly payment is adjusted yearly with increases of $15 to $30 a month. Thereafter, in year 11, payments stay fixed at a below

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[4]David Walker, "New Program Can Assist New Buyers with Financing," Boston Globe, February 2, 1991, p. 41.

[5]Ibid p. 41.

[6]Ibid.

market rate for the remaining 20 years of the loan.[7] The banks involved with the program have agreed to accept a 5 percent downpayment. For those buyers unable to furnish a 5 percent downpayment, the city of Boston has set up a fund to cover 2 percent. No points or mortgage fees are required, the home expense to income and payment to income ratios are a liberal 33 and 38 percent respectively and a discounted mortgage insurance package is provided through the city and state.

Opportunities Under CIC

Although the CIC program is only able to provide mortgage assistance to a small number of homebuyers, UNAC has already facilitated home purchases for a few members under this program. The income ranges serve to complement the income characteristics of UNAC and allow members to purchase moderately priced homes (see Table 2).

Table 2

Income		Maximum Home Price
$22,000		$70,000
$25,000		$80,000
$28,000		$90,000
$31,000		$100,000
$28,000	(2 family home)	$175,000

Source: MAHA

[7]Massachusetts Affordable Housing Alliance Home Buyers Union, "Home Buyers Union Affordable Mortgage Plan," (Boston, MA: MAHA, April 1, 1991.

Moreover these home purchase price and income guidelines provide an abundance of affordable homeownership opportunities to UNAC members. But, as with the BSS program, more homeownership opportunities could be made, particularly to lower income members who need deeper subsidies, if CIC were used in concert with the HTF monies.

Such an opportunity occurs through the HTF interest subsidy program which could be used to write down the below-market interest rate further. Given the present structure of the HTF buydown program, the interest rate could be reduced to 4.5 percent in the first two years, 5.5 in years 3 and 4 and in year 5 to 5.75 percent with the year 6 interest subject to a .75 HTF buydown. This buydown scheme could also lower debt ratios in the initial years and thereby possibly improve the borrowers ability to receive a mortgage. Again, if UNAC requires payment of these funds at sale then this program could provide a considerable boon to homeownership efforts for UNAC members. However if it sticks to monthly payments this might put a strain on lower-incomes and reduce affordable housing opportunities.

The CIC downpayment requirement provides benefits similar to the buydown when used in conjunction with HTF downpayment assistance. Although CIC requires a minimum personal downpayment contribution of 3 percent, with no family gifts allowed, the HTF monies can increase the down payment beyond 3 percent and thereby improve the members chance of being

selected for funding. This is important especially considering that lenders are presently reluctant to "provide a mortgage with less than 3 percent...in a declining market where homeowners can maximize their wealth by walking away from the property." [8]

The opportunities available under the HTF downpayment assistance program do not translate as easily for the HTF non-conforming loan program. As presently structured, the CIC program provides the most liberal underwriting standards in the state and any attempt to liberalize them further, even with mortgage insurance seems visionary. Moreover, the added burden of paying the monthly mortgage insurance premium under the HTF non-conforming loan program might make lenders weary of approving a mortgage given the added strain it places on income.

Unfortunately, many of the apparent benefits under CIC are lost to the Boston locational requirement. For low-income people, trying to find an affordable home price usually means living in Roxbury, Mattapan or Dorchester. However, according to UNAC staff member Carol Ridge, "people don't want to live in those areas." In fact, purchases in this area are infrequent. This reality severely limits the benefits of this program. Thus, UNAC must work to both find affordable housing

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[8]Michael A. Stegman, "The Case for Low-Income Homeownership," Presentation at Conference sponsored by National Association of Housing and Redevelopment Officials, San Antonio, Texas. July 29, 1990. p. 7.

opportunities elsewhere in the city and attempt to change members' perceptions about these areas.

Mortgage Certificate Program

The MHFA-sponsored Mortgage Certificate Program (MCC) differs from the BSS and CIC programs in that it is not a loan program, but a federal tax credit program that is designed to "help lower-income borrowers make more of their income available for mortgage payments."[9] Under the MCC program a buyer can subtract 20 percent of the interest paid on a mortgage each year directly from the bottom-line of the taxes they owe which may represent net additional income for the buyer. In fact, this income may be necessary to qualify for a loan.

The general requirements of the program stipulate that buyers must have an income below $35,700 in the Boston metropolitan area and $33,800 for the balance of the state. Home price (acquisition cost) limits vary from a low of $130,000 for a single-family new construction condominium to $253,000 for a four family existing house; sufficiently within the range of home prices many UNAC members can afford.

The following table (Table 3) illustrates how MCCs can create homebuying opportunities particularly when combined

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[9]Massachusetts Housing Finance Agency, Information, (Boston, MA: MHFA, January 1991).

with less restrictive underwriting standards. In case I, a housing expense to income ratio of .28 is considered along with a conventional mortgage at 10 percent and an LTV ratio of .95. Case II is the same except an MCC is considered. Case III, looks at the impact of both lowering the housing expense to income ratio to .33 in addition to using the MCC. Under each scenario, as the MCC is used with less restrictive underwriting criteria, the qualifying income decreases thereby providing homeownership opportunities to lower-income members.

Table 3

	Case I	Case II	Case III
Price	$85,000	$85,000	$85,000
Downpayment*	$5,000	$5,000	$5,000
Mortgage	$80,000	$80,000	$80,000
Total PITI**	$876.06	$876.06	$876.06
Monthly MCC Value	0	($133)	($133)
Adjusted *** PITI	$877.06	$744.06	$744.06
Required Income	$37,500	$31,900	$27,000

* actual downpayment amounts may vary depending on the type of mortgage obtained and the lender providing the mortgage.
** PITI = monthly principal, interest, taxes and insurance
***PITI adjustments will vary depending on the loan program of the lender.

Source: MHFA

Opportunities Under MCC

Since the MCCs are not loans, the HTF monies cannot be directly used in conjunction with them to increase

affordability. However, they can be used in tandem with any conventional or government-backed mortgage, excluding the low-interest mortgages provided through MHFA.[10]

Given this structure, UNAC can "piggyback" the MCCs with either the ICC or BSS soft second programs thereby reducing mortgage costs and providing assistance to lower-income households. In fact, UNAC has used the MCCs with both of these programs and according to UNAC staff member Carol Ridge "combining the CIC with the MCC decreases the effective interest rate (out of pocket) to as low as 5.5 percent. So, if you adjust your federal income tax forms (W-4) so that you realize the credit in the form of more take-home pay each month you increase your cash flow which may allow you to qualify for a mortgage at a lower effective interest rate." However, her one reservation about MCC was that it does not benefit lower-income members because their incomes are sufficiently low so that they pay little in the form of taxes and thus receive minimal credit. Regardless, there is still great potential in making the MCCs more beneficial when used in concert with the CIC or BSS programs and the HTF monies.

The HTF interest subsidy program provides the largest benefit to the MCC when used in conjunction with CIC or BSS. Under such a coordinated program, the effective interest rate of 5.5 percent could conceivably be written down further with

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[10]Massachusetts Housing Finance Agency, Mortgage Credit Certificate Program, Office of Single-Family Programs, April 1990.

the $7,500 maximum buydown to as low as 3.5-4.5 percent for the first 5 years of the mortgage. This would allow more low-income members to qualify for mortgages given that lenders are provided with proof of HTF financial assistance prior to mortgage selection.

As with both the BSS and CIC program, the benefits of providing downpayment assistance are not clear. At the minimum the buyer must provide at least 2.5% of the requisite 5 percent downpayment. UNAC could attempt to change such policy, but it is doubtful this will prove beneficial given that lenders want borrowers to put some equity into the deal so that risk is shared.

The HTF non-conforming loan program similarly provides little benefit to UNAC members. Although the private mortgage insurance guarantees 20 percent of each mortgage against loss in instances of foreclosure or default, a request to liberalize mortgage underwriting standards on a spot basis under CIC or BSS seems futile given that debt standards have been liberalized beyond industry standards.

Acquisition Set-Aside Program (ASAP)

The ASAP program, which is MHFA's most recent response to the declining New England real estate market, provides significantly more benefits for UNAC members than MCC. Under ASAP, homeownership opportunities for low- and moderate-income

people are promoted through sales incentives to developers who may be having difficulty selling their units. By reducing prices on newly constructed units, developers can become eligible for a reservation of MHFA low-interest mortgages provided to homebuyers solely purchasing in their development. According to MHFA, "this not only promotes a quicker sellout, but provides affordable housing opportunities for low- and moderate-income households."[11]

The ASAP program requirements more clearly illustrate the program's benefits. First, the maximum home purchase price and income limits are $130,000 and $38,000 respectively.[12] Second, for people earning below $35,700 a Graduated Payment Mortgage at 6 percent is available. This mortgage increases gradually over the first 7 years until it reaches the rate of 8.25 percent in year 8 where it remains fixed for the balance of the mortgage. More moderate-income homebuyers (i.e. incomes greater than $35,700) are eligible for a 30 year fixed rate mortgage at 8.25 percent. The underwriting standards include more strict debt ratios of 30 and 36 percent, an LTV ratio of 95 percent and reduced closing cost. Third, all units must contain a minimum living space of 700 square feet and at least one bedroom. Fourth, all mortgage loans with LTVs in excess of 75 percent of the unit's actual sales price

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[11]Massachusetts Housing Finance Agency, Information, (Boston, MA: March 1991) p. 5.

[12]For a two or larger person household the maximum income is $43,000.

are required to carry mortgage insurance in amounts ranging from 35 percent for LTV ratios between 90-95 percent to 20 percent for LTV between 75-80 percent .[13] Lastly, an added perk to the program is that once the sales prices have been established by the lender and developer, if half the ASAP units remain unsold for 90 days, a previously negotiated discount on the sales price -- between 5 and 10 percent -- takes effect.

Opportunities Under ASAP

ASAP has been touted as MHFA's most effective supply-side affordable housing mitigation policy. Recent improvements to the program allowing for financing of cooperative units and condominiums, a streamlined review process on project selection and below market mortgage financing has made this program much more cost-effective for developers and homebuyers alike.

Up till the beginning of March 1991 when policy changes were made, the use of ASAP had been sparse, however UNAC should, in light of the recent policy changes, position itself to take advantage of this program.[14] The opportunities that

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[13]Mortgage insurance on all mortgage loans must remain in force until the amount of the mortgage loan is reduced to 75% of the original value of the property at closing date.

[14]According to staff members at MHFA ASAP was not publicized well last year. But, the program has taken off with the recent changes and increased advertising.

exist under this program, are quite similar to the ones listed under earlier programs, however, ASAP shifts the responsibility away from the homebuyer to the developer. That is, homebuyers do not complete the leg work of locating and financing a unit, rather, developers submit an application for a set-aside of below-market rate financing for their developments with MHFA publicly listing the housing opportunity.

This sounds attractive as it stands, but it can be made more so if used in tandem with the HTF program. At present, ASAP provides for an interest rate as low as 6 percent and at a maximum of 8.25 percent. If used in conjunction with the HTF buydown each of these interest rates could be written down further for the initial years of the mortgage thus reducing the payment burden as borrowers presumably build wealth.[15]

The ASAP downpayment requirement provides limited opportunities for leveraging HTF downpayment assistance. Specifically, 2.5 of the required 5 percent downpayment must come from the applicant's own funds with the other 2.5 percent allowed "in the form of a gift from an immediate family member."[16] Although this may seem attractive ASAP guidelines indicate that a 5 percent downpayment will be rare and more likely be "10 percent or higher when the acquisition cost is

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[15]The MCC cannot be used in conjunction with the ASAP program since it is operated through MHFA.

[16]Massachusetts Housing Finance Agency, Revised ASAP Guidelines and Application Package, (Boston, MA: March 1991)

at or above $110,000."[17] This does not mean a 2.5 percent downpayment, is impermissible, but rather, to be competitive for financing members must put up larger amounts so lenders will approve their mortgage. Still under either scenario a member can improve the probability of receiving a mortgage by using the HTF downpayment program to augment their total downpayment amount.

The non-conforming loan requirements follow the same sort of logic as that under the downpayment program. That is, the debt ratios are only guidelines; it is ultimately up to the lender's to assume more liberal underwriting standards. Additionally, the 30 percent home expense to income ratio and the 36 percent income to expense ratio are strictly applied, thus providing little opportunity for utilizing the HTF non-conforming loan program.

All the ASAP benefits, whether provided with HTF assistance or not, can be used in concert with the 5 to 10 percent discounting process that occurs when half the ASAP units in a development remain unsold for 90 days. Such a condition provides a critical affordable housing opportunity especially considering that home "sitting" periods have increased drastically with the downturn in the New England real estate market. This not only provides a benefit to the buyer through a reduced price, it provides a benefit to the

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[17]Ibid.

developer by increasing the likelihood that the unit will be sold.

Neighborhood Revitalization Program (NRP)

NRP, which is sponsored by MHFA, is different from ASAP's in that it focuses on the rehabilitation of existing homes to help revitalize older neighborhoods in communities throughout the state. Although NRP is currently inactive due to cuts in the states budget, the potential for affordable housing benefits is present given that staff at MHFA believe it will be up and running during the summer 1991.

NRP is essentially a two-pronged program which provides interested buyers below-market mortgages so that they may buy and fix up a home. The first component of the program is for standard rehabilitation in which the purchaser buys a home that requires at least $3,000 of rehabilitation (more for a two family residence) in a locally designated area.[18] The annualized income limits with regard to location are the same as under ASAP as are the acquisition cost limits, which must be equal to the purchase price of the property plus the cost of rehabilitation. The second component of the program, termed "qualified rehabilitation", targets funds and financing, under the same restrictions, to owner-occupants of

[18]These locally designated areas called Areas of Chronic Economic Distress, include Boston, Chelsea, Everett, Fall River, Lynn, North Adams and Sommerville.

one to four family homes in need of substantial rehabilitation. The difference under NRP as opposed to ASAP is that the total mortgage amount cannot exceed 95 percent of the previous acquisition cost limits or the estimated appraised value of the property after rehabilitation, which ever is less.

Opportunities Under NRP

Since the basic structure of NRP is the same as ASAP, the benefits of using the interest subsidy, non-conforming loan and downpayment assistance under HTF will be similar. Yet, NRP is different in that its value is augmented through the HTF rehabilitation program.

The potential benefits provided through the interest subsidy and downpayment programs are a function of the lenders willingness to accept the minimum program underwriting standards. Although a 2.5 percent downpayments are permissible, it seems rare that a lender would provide such a mortgage if there are other income-eligible tenants with larger downpayments. One way for UNAC member to make members more attractive is to use HTF monies to increase their downpayment amount thereby making them more attractive to potential lenders. Buydowns could also provide benefits to the members through lower initial debt service payments as

long as the burden of paying them off is deferred till a time when a member is more financially solvent, like at sale.

Where definite opportunity does exist is under the HTF rehabilitation program. Under this program, member are supplied with financing to purchase and renovate their home in locally designated areas , all of which are contained under NRP, if they qualify for the mortgage through the regular NRP process. Once the loan is secured, UNAC then supplies up to $5,000 in rehabilitation funds as a non-interest bearing permanent recapture loan. This money may be used to make further improvements to the home under the standard program or indirectly used to help members meet debt service payments in early or late years. Under the NRP qualified rehabilitation component, if money is needed beyond the acquisition cost limit or estimated appraised value, whatever the case, then the HTF rehabilitation funds can be used to provide additional financing. Under either scenario, the program serves to take advantage of the low prices and member preference that has occurred through increased foreclosure and property deterioration in recent years.

Table-1
Overview of Housing Opportunities

Program	Features and Opportunities
BSS	Soft second mortgage program qualifies people on lower first mortgage amount; limits debt in early years through public subsidies with interest rate at 5.5%. HTF buydown and downpayment assistance makes program more affordable thereby reaching lower-income members.
CIC	Similar to the above, but with interest rate of 6.5%. Program made more affordable with HTF assistance.
MCC	Provides tax credits that can be used in tandem with below mortgage financing (i.e. CIC & BSS) to bring down effective interest rate.
ASAP	Developers reduce sales price on newly constructed units in exchange for a reservation of graduated, low-interest mortgages. HTF makes program more affordable through downpayment and interest buydown assistance.
NRP	Targets money to the rehab of homes in the same communities as HTF rehab program; Below market mortgages are provided throgh MHFA and UNAC that can be used to encourage recent trend to fix up older reseidneces.

Summary: Issues and Strategy

The fiscal debacle in Massachusetts has significantly reduced housing subsidy programs offered by the state. The affordable housing production programs created by the Dukakis administration have been curtailed and replaced with clearly under funded supply-side housing programs. What this means for UNAC is that they must work harder and quicker to locate and secure the "scraps" that are left. Moving in this direction requires UNAC to focus its energies on a few of the above government programs while altering its housing program so that it better complements them.

The ASAP program, which according to MHFA, primarily benefits "high-low-income wage earners and moderate-income people" (i.e. those with incomes between $38,000-$30,000), will bear benefits for UNAC members if provided to more financially secure members. That is, ASAP, under present circumstances, will be best suited to members who have both incomes around $30,000 and a sizeable savings that can be applied to the downpayment. HTF assistance, if combined with this benefit, can be extended to lower-income emembers. A good number of low-income members could probably come close to meeting the minimum ASAP program requirements. But, meeting the minimum does not make one competitive in the selection process. Rather, lenders are more willing to provide mortgages to people who have higher incomes or larger downpayments because these individuals are less likely to default on their loans. Taking this cue, UNAC should increase HTF assistance, especially if lower-income members are going to be helped.

As it stands, roughly a third of the membership have savings of $5,000, but this does not even equal half the 10 percent downpayment necessary on a purchase of a $130,000 home.[19] Since the HTF maximum downpayment assistance is $5,000, the member still falls short by $3,000. However, if UNAC were to increase the maximum downpayment amount to $8,000

[19]As noted earlier, 5% percent downpayments will rarely be accepted under the ASAP program.

or $10,000 more members could be competitive under ASAP. Thus, UNAC should move quickly to activate this assistance at the increased amount so that it may realize these benefits on this temporary program.

To further secure opportunities under ASAP, UNAC should redesign its payback methods. As has been noted, providing supplemental financial assistance through the HTF is key in helping lower-income members take advantage of moderately-income designed programs. However, UNAC must be sure not to, in an attempt to provide assistance, further cost burden members by requiring paybacks in early years. To avoid such a problem, UNAC should implement its policy of recapturing funds from sales proceeds, after the member recoups his or her personal investment, but before receiving the proscribed limited appreciation. In doing this, UNAC will facilitate the homebuying process for more members.

The BSS program, which has greater financial backing and therefore more longevity than CIC, can be made more beneficial to members if UNAC makes similar policy changes to its housing program as those suggested under ASAP.

As presently structured, the BSS provides a mortgage interest rate, in the initial years, of 5.5 percent. When this is combined with the MCC and HTF interest buydown or downpayment assistance, the potential members who qualify is increased. But, the HTF assistance, as it is structured, is insufficient to make mortgages available to lower-income

people. Thus, UNAC should increase the amount of assistance provided under both of these programs to low-income persons so that those who are excluded under ASAP can find an affordable unit on their own. Specifically, maximum assistance under these programs should be increased somewhere between $8,000-$10,000. These amounts are small enough that assistance can be provided and recycled to many people, but large enough to make low-income members financially attractive to lenders.

If such a policy is to be made useful, UNAC must also alter its repayment policy so that members are not financially strapped in early years. UNAC can accomplish this by requiring paybacks after sale of the unit or upon a drastic increase in the members financial situation.

Although the above policy changes require greater financial subsidies by UNAC, and thus, a reduction in the number of members that can be assisted, UNAC must make this trade-off so that it can take advantage of these recent and temporary housing assistance programs. Failing to do so will allow housing opportunities to pass members by and this is something UNAC cannot afford.

Chapter 5
Conclusion: Issues to be Resolved

Unions have been involved in the housing development field for over sixty years, but no union has attempted to do what Local 26 is proposing: to use employer, union pension and public resources to create housing opportunities for union members. Although it is apparent that UNAC can play an important role in providing housing opportunities for its membership, UNAC can be assured it will face many legal, political and economic challenges in its efforts to fully realize the benefits of the new and innovative employer-assisted HTF.

First, the establishment of UNAC and the proposed HTF program will bring a new entity into community development; the local union. For much of community development history, players in this movement have defined themselves geographically, often times by race, but never according to place of employment. Thus, in the short run, unions will likely face political challenges in trying to be included into the community development field. Second, the union has to confront the problematic issue of allocating this scarce and admittedly small HTF resource among members who have quite divergent incomes, housing needs and competing interest. Lastly, much of the UNAC housing program is based on assumptions that lenders, brokers, and UNAC members will fully

cooperate and accept the proposed housing program arrangements, but this has not been tested nor have any commitments from key players been secured. All of these issues, if not addressed and worked through, stand as potential road blocks to UNAC's full realization of housing opportunities for its membership.

A New Player in Community Development: UNAC

The community development movement, and community housing development organizations (CHDO) in particular, have historically defined themselves geographically and sometimes according to race, but UNAC is trying to broaden this definition to include the workplace. In trying to incorporate this new dimension into the community development movement, UNAC will have to struggle to re-define the rules of the community development game with the reward being that such a redefinition can potentially strengthen both the labor and community development movements.[1]

As chapter 3 indicates, if UNAC is to benefit from much of the recent federal housing legislation it will have to seek set-asides through its partnerships with community housing development organizations. But, such an arrangement must be

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[1]Jean Kluver, From Work to Home: Boston's Hotel Workers and the Prospects for Union-Sponsored Housing. MIT Masters Thesis, 1988, p. 48.

done within the context of a political and legal environment that has never been traversed.[2]

CHDOs sometimes build housing in conjunction with community service organizations, philanthropic organizations and other CHDOs. The goal under each arrangement is to provide housing at a price that is affordable to community, city or town residents on either a first come first serve basis or according to a lottery. Yet, UNAC proposes to change this arrangement by having housing units set-aside for their membership in exchange for financial assistance to the group or organization developing the housing.

Such an arrangement faces two separate legal issues. First, any developer of publicly subsidized housing must follow an affirmative marketing plan to ensure that residents are a racially balanced group. Although this may not seem like a problem, Boston has been torn with racial strife, especially in developments located in South Boston that have excluded people of color. Second, the use of public funds in a project requires that the development be equally accessible to all people, thus UNAC's attempt at having funds allocated to a development that is partially reserved for their membership is problematic.

UNAC can mitigate and possibly eliminate both of these potential legal challenges. First, the UNAC membership is racially and ethnically diverse, thus affirmative marketing

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[2]Ibid. p. 48.

requirements may not be a problem. Specifically, 75 percent of the respondents surveyed in the *Local 26 Housing Needs Assessment Study* were people of color. Second, since many UNAC members earn less than 80-50 percent of the AMI and 78 percent of members are eligible for section 8 assistance this group is eligible for much of the federal, state and local housing assistance. While allocating public subsidies to a specific group may elicit dissent among observers, if such a group is fully eligible and has been unable to gain access to public assistance through other means, officials and administrators may become more receptive to the set-aside issue.[3]

UNAC will also face challenges in being recognized as a credible housing player. In 1985, the International was identified by the President's Commission on Organized Crime to be "one of the big four" unions believed to be substantially controlled by organized crime.[4] Although mob control of locals has been impeded by the tradition of autonomy inherited by the locals, such connections may hurt UNAC's image as a credible community services organization. Moreover, there is no assurance that CHDOs will even permit set-asides to UNAC. In fact, Local 26 has eroded much of UNAC's vital alliances

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[3]Ibid. p. 49.

[4]Betsy Aron, Mobilizing Strategies in Times of Transition, Local 26: A Case Study of Participation and Power. Unpublished Paper, Department of Political Science, Brandeis University, 1991, p 24.

with community-based organizations and the City with their political support of the "no new taxes" platform supported by the conservative Citizens for Limited Taxation.

Some of the legal and political problems noted above result from the fact that few local unions have been involved in the community development field. UNAC will have to redefine this past which has been shaped by twenty years of a community development movement in which unions have been absent. While such a departure will assuredly entail political haggling, it may lead to UNAC's acceptance in the end.

UNAC represents a large constituency that is in need of housing assistance and brings into this field financial resources, in the form of employer contributions, which are new to this movement. While there is no guarantee that UNAC's inclusion into the housing and community development field will prove easy, it will open the door for other like-minded unions to become involved in community development. Hopefully, this will create a partnership of greater resource sharing and cooperation between the community development and labor movements.[5]

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[5]Jean Kluver, From Work to Home: Boston's Hotel Workers and the Prospects for Union-Sponsored Housing. MIT, Masters Thesis, 1988, p. 40.

Distributing a Scarce Resource

Beyond the formidable task of redefining the players and notion of community development, UNAC must construct a criteria for distributing the scarce HTF resource. This is particularly difficult in UNAC's case given the disparity in wealth and housing conditions between workers, the limited size of the HTF, and the compelling legal requirement that any negotiated trust benefit must represent the interest of all union members.

UNAC has taken the initial approach of targeting HTF assistance to the lowest-income workers. However, from an implementation perspective, targeting assistance to the lowest-income poses numerous operational challenges. Where should the line be drawn below which households are eligible to receive assistance: 30 percent of median income, 50 percent of median income or some other percentage of median income? Should there be some leeway in making these determinations or should the individual or family be excluded from receiving assistance once they reach a specified threshold? How are members to be selected for funding when there are numerous others who face equally egregious housing situations? How can UNAC factor in the physical condition of existing housing and the percentage of income paid for current housing expenses into a determination of which eligible

households receive assistance?[6] UNAC has considered these issues in developing its distributional criteria, but has yet to take the more difficult step of determining how to incorporate these variables into a criteria that operates in a systematic, defined and routinized way.

From a political perspective, providing assistance to the lowest-income will undoubtedly ruffle some feathers. Expecting workers of all incomes to contribute to a fund, while providing assistance to a specific group, not only cuts against issues of feasibility, it violates the "sole and exclusive" clause under existing labor law which is meant to ensure that employee benefits are fairly distributed among all contributing employees.[7] This condition will assuredly catch the eye of higher income workers, who will oppose any distributional policy that does not provide them equal access to HTF monies. This targeting policy will not only make the UNAC housing program difficult to implement, it will run the risk of excluding households that do need housing assistance, and as such, will generate a weak and vulnerable political constituency.

Directing assistance to the lower-income members, although attractive on moral grounds, may not be the most

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[6]Langley Keyes and Denise DiPasquale, Housing Policy for the 1990s, (Cambridge, MA: MIT Housing Project, 1988) p. 10.

[7]David Nash, Housing Benefits Under Existing Labor Law, (New Brunswick, NJ: The American Affordable Housing Institute, 1988) p. 4.

inviting policy on practical grounds. The HTF only amounts to $1.5 million, yet UNAC must distribute this money with an eye on the interest of all 5,000 members. This poses a perplexing issue given that almost all members are in need or could benefit from some type of housing assistance. Thus, the question arises: Is it possible to meet all members' housing needs with such a small pot of money while simultaneously directing assistance to the lowest-income?

Two examples will shed light on an answer to such a question. Suppose 200 low-income members (or 4% of membership), having incomes below 70 percent of the median income, seek interest subsidies at the maximum amount of $7,500. At this rate the HTF would be depleted in one year. Or, suppose a 100 members seek buydown funds at the maximum amount and another 100 seek rehabilitation funds at $5,000. Under such a scenario there will only be $250,000 left in the HTF after year 1. Although not completely exhausted, there would still be people in need of rental guarantees and downpayment assistance.

This predicament poses two additional problems. First, there needs to be money on hand in the HTF so that other assistance can be provided. Second, funds also need to be recycled to keep the HTF operative. However, under the first example funds would be depleted after a year and under the second example funds would be severely diminished thereby offering future members less housing opportunities.

It is no surprise that the HTF cannot meet the needs of all 5,000 members. However, UNAC must ask itself whether the goal is to serve the most members with limited subsidies, or provide assistance to the poorest members with potentially large subsidies. Under the present UNAC housing policies, the only form of assistance that creates a housing opportunity that reaches very low-income workers is the rental guarantee. However, in some instances workers will not have enough income to even meet the monthly rent on a consistent basis. For example, if a worker earns $12,000 a year she can afford a monthly rent of $300 based on the 30 percent of income federal bench mark. Locating such a low rent is unlikely as is receiving section 8 assistance (something which UNAC has no control over), but UNAC makes no provisions for such a housing situation. Thus, although UNAC has good intentions in providing assistance to the neediest, and granted it can assist in creating housing opportunities for many members, it has yet to reconcile the issue of providing assistance to the lowest-income worker while keeping an eye toward the financial and legal constraints of the HTF.

Although the HTF, as noted by the previous discussion, cannot be seen as a cure-all to members' housing ills it has been, in some instances, as a such. However, this stance, as can be seen, is neither realistic or true. In the housing development field $1.5 million is pennies, especially when the objective is to build housing. However, UNAC has backed away

from envisioning itself as a housing developer. As noted by the President of Local 26, Dominic Buzzotto: "We once had great visions of building housing for our members through UNAC, but now it's just a dream....We don't ever want to get into the landlord business." Although incapable of solving all the members housing problems, the HTF can make headway toward providing gap financing that can be the difference between an apartment and homeownership and homlessness and shelter.

Problems with UNAC Housing Program

The limitations of the HTF extend beyond the distributive policy to UNAC's Housing Program. Although much of the policies have been conceptually defined and outlined, commitments from lenders, brokers and even UNAC members to participate in such a program have not been thoroughly secured or researched.

The Rental Assistance Program, although attractive in concept, has yet to secure critical commitments from the cornerstones of this program -- landlords and bankers. As the guarantee is structured, a bank is to service the HTF by establishing a collective bank account that will cover first and last months rent plus security deposit. In lieu of actual money, a legal certificate supplied by the HTF guarantees payment to the landlord. As of yet, UNAC has not contracted

with a bank to service the collective bank account. More importantly however, UNAC is uncertain as to whether landlords will accept a legal certificate guaranteeing move-in cost. In fact, UNAC has made no connections with landlords on this issue nor has it begun to delve into any research that will elicit an answer or response to such a concern.

Assuming that landlords will accept a legal certificate guaranteeing funds requires a quantum leap in faith on behalf of the landlords. History has shown landlords reluctance to accept anything but cash. The federal government has guaranteed payment on a portion of rent through housing vouchers and certificates, yet these government-backed notes have often shunned by landlords who do not want to deal with the transaction time of receiving payment. Although UNAC is not a mammoth bureaucratic mess like the federal government, it does require a 30 day waiting period before disbursal of funds if damages are incurred. But, there is no compelling reason for a landlord to accept such an arrangement when he or she can have the funds in their own bank account, thereby eliminating any waiting period.

The Guaranteed Lease-Up, Mortgage Interest Rate Subsidy and Downpayment Assistance programs all pose similar problems as those noted above. Specifically, the lease-up program is attractive in a declining real estate market in which vacancy rates are high and absorption rates are low. By supplying a limited guarantee (covers 3 months rent) on lease-up for three

years, landlords presumably stand to benefit, even if rents are reduced in exchange for such a guarantee. However, no attempt has been made by UNAC to ascertain, through discussions with landlords, whether such a policy is acceptable to area landlords. Since people inherently distrust anything that deviates from common practice or is new, there is no certainty as to whether such a program will be welcomed by landlords, especially considering that they must reduce their rents through a program that has no track record.

The Mortgage Interest Rate Subsidy program also lacks a key commitment. Under this program, UNAC issues a certificate symbolizing that the HTF money has been committed to a participant which is then transferred monthly to a buydown account held in a bank. However, UNAC has yet to secure a bank that will either accept such a certificate or service such an account. This does not mean UNAC cannot secure an arrangement -- it probably can -- rather, it has failed to so thus far.

Similarly, UNAC is still in the "dark" with regard to commitments for the Downpayment Assistance program. Under this program, members are required to make monthly contributions into an interest-bearing bank account through automatic checking account or payroll deductions. Once the requisite amount is saved with HTF and personal contributions, the member receives a diploma certifying that they have a

certain amount of money which they then present to real estate brokers to show that they are financially capable of purchasing a home. The only shortcoming under such an arrangement is that UNAC is not certain that brokers will accept the diploma as a legitimate, committed source of money. They have neither researched this issue nor solicited the opinions of local brokers. Moreover, UNAC has yet to arrange a contract with a bank to service the interest-bearing bank account. Although some of these issues may seem petty, they are necessary cogs in the program machinery.

As with other programs, the Non-Conforming Loan program, contains great ideas and possibly realizable goals, but UNAC has not substantiated the commitments of any of the players that are necessary for the program's functioning. Under this program, HTF monies are used to purchase private mortgage insurance (PMI) which guarantees 20 percent of the mortgage for foreclosure and default on loans which do not conform to standard underwriting criteria. Thereafter, the bank will let the loans season; ultimately taking on the total mortgage risk.

Although this sounds great for UNAC, there is no guarantee, that a bank will agree to such an arrangement, especially in a period of high defaults, depreciation in housing prices and low job security for members who work in a highly cyclical job market. Moreover, there is no guarantee that member's will accept the required PMI risk premium

payment nor is there certainty that they can cover such an expense with their already tight budgets.

Two key elements that are attached to all the UNAC homeownership programs are the limited equity restrictions on price appreciation and the UNAC right of fist refusal to by property. Both of these elements sound marvelous in that they ensure permanent affordable housing for future members. However, UNAC has overlooked a critical question: Will lenders and buyers go along with such a program?

By attaching an appreciation restriction on the sales price of a home, UNAC is asking members to forgo probably the largest wealth generating investment of their lifetime. For many members, this will represent both their largest investment and close to all their personal wealth. Thus, preventing them from fully realizing this benefit may prove problematic. Similarly, lenders will not be fond of such an arrangement limiting sales price appreciation especially if they take over ownership as a result of default or foreclosure. Giving members first dibs on purchase of property may also prove troublesome to lenders and buyers. Members who want to sell their homes will have to wait a maximum of three months so UNAC can locate a qualified buyer from the membership. However, requiring such a waiting period when members are pressed to sell their home because of other financial commitments, may prove unpalatable to some members. Likewise, lenders may not accept such an arrangement that

extends the selling period and further puts off recapture of mortgage funds.

Although some of the above problems and concerns may seem trite, the inability of UNAC to secure some of these arrangements can impede the success of the housing program. Thus, UNAC must concentrate on smoothing out the logistics and commitments from the many players so that housing opportunities can be forthcoming.

Union Involvement in Housing

It is obvious from the above discussion that Local 26's HTF cannot meet every members housing needs. But, this does not mean should UNAC renege on providing housing assistance to members. Rather, Local 26 should pursue its vision of providing workers housing as an employment benefit. As it stands, many workers, especially the newly arrived immigrants, distrust government and are therefore reluctant to seek housing assistance from CHDOs, government agencies or community service organizations. Thus, if hotel employers want to retain a service-sector workforce and local union leadership wants to be responsive to workers needs, it seems not only logical, but compelling that management and unions come together to work toward a solution.

Engaging in such an endeavor, on a broad scale, can rejuvenate affordable housing development by bringing in new

sources of financing. As illustrated in this thesis, unions can create a housing resource by negotiating with employers over a housing benefit. Another approach, although more problematic, is to seek pension fund investment in affordable housing. As it stands, most pension funds have gone untapped due to strict requirements for high-yield returns and long-term financial stability. This trend has excluded investment in affordable housing. Fortunately, much of this investment potential can be realized if restrictive regulations, which require that all investments be prudent and for the sole benefit of plan participants, are liberalized.[8] That is, unions must push to make pension fund investment in affordable housing a prudent and productive investment for pension participants and the communities in which they live. Ultimately, such efforts will create a more inclusive and cohesive affordable housing development movement that can work to partially fill the gap created by the federal government's retreat from providing housing assistance to low- and moderate-income people.

[8]Investment in affordable housing is principally deterred under the Employee Retirement Income Security Act (ERISA).

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