Company-Produced Housing

Final Report Submitted to

The Economic Development Administration

Ellen-J. Pader, Ph.D.
Department of Landscape Architecture
and Regional Planning
University of Massachusetts
Amherst, MA 01003
Introduction

It is getting harder and harder for people working in urbanized areas to find affordable housing near their workplace. As new urbanized office and industrial areas expand and the cost of housing increases, employees are finding themselves having to commute longer distances between work and home. This results in traffic congestion, increased pollution and decreased employee satisfaction. Some companies are finding that the lack of locally available and affordable housing is making it harder to recruit and retain employees.

One solution to this problem is for large corporations to develop housing for their employees within walking distance of the job, or at least to have housing that is easily accessible to work by public transportation. Several corporations are experimenting with various ways to implement company-produced housing. While the idea might seem revolutionary, the practice has its roots in the nineteenth century Mill Towns of the Industrial Revolution. Rather than totally reinvent the wheel, this research set out to understand the economic and social conditions underlying and leading to the development of mill town housing, with the expectation that a systematic analysis of the earlier company housing will aid in developing a strategy for developing modern company housing. While the social and economic circumstances of the nineteenth century are not commensurate with today's situation, studying them enables the creation of relevant categories of analysis for the present. The mill towns at the base of this study are Lowell, Chicopee and Holyoke, all in Massachusetts.

Greater detail than presented in this report is found in the 1993 Master's of Regional Planning thesis by Michael L. Bosworth, "Company-Supplied Housing: Then and Now." The study was supervised by Professors John Mullin and Ellen-J. Pader, and Mr. William Breitbart, a housing consultant. The study examines the economic and social factors that led to successful nineteenth century mill town housing. It then develops a model by which to ascertain the potential viability of company supplied housing in urbanized areas today, using Cupertino, California as a test case. Cupertino is home to three major high technology companies: Apple,
Hewlett-Packard and Tandem. Only Hewlett-Packard and Tandem are included in this study as Apple management declined requests for interviews.

An interesting aspect of Cupertino is that the city is considering including in its new general plan a requirement that companies build housing for their employees if they expand. This is primarily a step to ensure that congestion does not increase any further and air quality does not decrease.

**Historical Basis of Company Housing**

The nineteenth century mill towns were built in rural areas, along major rivers that provided the power to run the mills. Originally the workers were largely from rural farm areas and many were unmarried farm girls. Later, immigrants became the dominant work force. However, in order to entice the farm workers off the farms and into the factories, it was essential to have housing for them, and in particular, for the young women. A well-documented aspect of the housing built by the companies was the paternalistic underpinnings, a feeling on the part of the management that it was their duty to control and develop the moral life of their workers. They put this into practice by the rules that workers and their families had to follow concerning church attendance, curfew and other activities. A major goal of supplying company housing was to have a loyal and docile work force.

The Cupertino companies interviewed that are currently considering the pros and cons of supplying housing are explicit that they do not want to get into the business of being landlords, managers or developers for their employees, and certainly do not want to impose any set of moral doctrines. However, what they do want in common with the mill owners, is to attract and retain employees by helping them find affordable and adequate housing. Quality of life considerations that the mill owners did not have to deal with but that are important in the 1990s include: a good school system, lack of traffic congestion, good air quality, reasonable commute time and good amenities.
Through an analysis of factors that affected the probability that company housing in the nineteenth century mill towns would be successful, eight categories of factors were isolated, categories that are relevant today. They are:

- Availability of capital
- Availability of land
- Availability of labor
- Effectiveness of management structure
- Real estate development companies as an external force
- Government policy and regulations as an external force
- Effectiveness of company/employee relationships
- Appropriateness of housing design

**Current Strategies for Company-Supplied Housing**

There are several strategies being explored around the country for creating affordable company-supplied housing. In some non-urban areas, there are attempts to develop a balance of jobs and homes. For example, by 1991 Rancho Santa Marguerita had a population of 15,000 people, employment for 3500 people and they had built 4600 homes. Sterling Forest, NY has a proposal that includes provision for 17,000 acres of mixed employment and residential use, while Hillwood Development Corporation, TX is overseeing 17,000 acres, here with homes supplied by the private market, not a company.

None of these mixed housing/industrial projects or proposals are in urbanized areas and therefore have easier access to open land. Cupertino presents a different problem in being an urbanized area in the Silicon Valley region of Northern California. Cupertino is home to three major high tech companies, Tandem, Hewlett-Packard and Apple. Each has its own campus consisting of more than 100 acres, with 10 to 20 acres usable for housing. Both Tandem and Hewlett-Packard have other areas in which they might be able to build.
The city is more expensive to live in than the surrounding areas. As a result, only 10% of Tandem employees (some 3,500 people) live in Cupertino. The average commute each way between work and home is 22 minutes. The same number and percentage of Hewlett-Packard employees live in Cupertino. However, Hewlett-Packard reports that although approximately 40% of the employees live within five miles, the daily average commute for employees is approximately 45 minutes each direction. With an average salary for a research and development person is $55,000, the Bay area is simply too expensive for many of the employees. Both Tandem and Hewlett-Packard report that some employees are requesting to be transferred to less expensive parts of company. Currently, Tandem has a proposal for 500 housing units on land it owns. Hewlett-Packard is both considering developing some of its own land as well as entering into a joint venture with Tandem. Whether these units will be built depends in part on the extent of the economic down-turn. Apple's plans are unknown.

Applying Mill Town Housing Lessons Today

The following discussion of the eight categories determined to be important for enabling successful company-supplied housing today is based largely on data provided by Hewlett-Packard and Tandem. Each category is derived from analyses of what caused particular nineteenth century company-supplied housing to succeed or fail and are updated for today's market.

Availability of capital

- Companies have a variety of options for raising substantial capital through such mechanisms as stocks and bank loans.
- The capital outlay for housing is off-set by considering the high costs of recruiting, training and retaining employees.
Availability of land

This is a major problem today, one not experienced by nineteenth century housing providers.

- Land in urban areas is expensive and difficult to assemble in parcels large enough for combined industrial/office/residential uses.
- Increasing urbanization is making large scale developments in non-urban areas less possible as well.

Availability of labor

- The high cost of housing in any region can discourage efforts to attract and retain quality and sufficient work force.
- What are the conditions for determining if employees will choose to live in company-supplied housing, whether rental or ownership? Unlike the mill employees, employees today are free to choose not to live in company-supplied housing.

Effectiveness of management structure

- The decision to supply housing can be either a corporate or a local decision. It can be driven by company-wide policy or by the conditions at a local site, such as Cupertino's proposal to that additional, local housing be supplied if the company is to expand.
- The owners of a corporation are not likely to get involved in whether it chooses to supply housing, it will be local management.

Real estate development companies as an external force

- The external industrial/office park development company does not play as important a role as it once did because it is harder to put together large developments and because the local municipality now has more of the rule-setting powers.
• The individual industrial or office firm can assume the role of real estate developer for its own land

**Government policy and regulations as an external force**

• Because of the many tiers of government regulation, it is difficult for a company to develop and supply housing

• The emphasis of the Affordable Housing Act on local control of housing development is a good match for the site-specific needs of company housing. Its parameters for eligibility for funds, however, make its practical application difficult. Any government/corporation partnership proposing to apply funds from the Intermodal Surface Transportation Efficiency Act to a company housing project would be attempting something brand new

• If the government wishes to support the concept of company-supplied housing, it can do so through incentives such as tax credits that may make the marginal difference in a company's decision whether to develop such housing.

• Accepting a lower return on investment in supplying housing is a choice companies can make in order to attract and retain employees.

**Effectiveness of company/employee relationships**

• There are examples where company/employee relationships are working well within a company-supplied housing situation

• Companies should consider giving employees control over setting up their own housing programs. This can be supported by contributions to a trust fund structure
Appropriateness of housing design

- Companies supplying housing in the built-up areas of the U.S. must choose multi-unit housing to have any significant impact on housing needs.
- The design of employee housing may work best when it is only part of an overall, mixed use plan for the real estate holdings of a company.

Conclusion

It is our belief that in order to attract and retain quality employees and provide them with an acceptable quality of life, more companies will have to include housing in their plans. To ensure this, more urban areas will have to follow the lead of Cupertino and require that companies take some responsibility for quality of life in the communities in which they settle. One suggestion is that urbanized and urbanizing communities write into their master plan a requirement that existing and new companies over a certain size provide affordable housing to a predetermined percentage of their employees. In most cases multi-family housing will be the only way to accommodate sufficient households in an urban area. Furthermore, the community and company should work together to ensure sufficient public transportation between the workplace and home. The impact will be better air quality, less car traffic and more pedestrian traffic, and less travel time for employees. Perhaps most importantly, this should increase the satisfaction of the employees with their jobs.